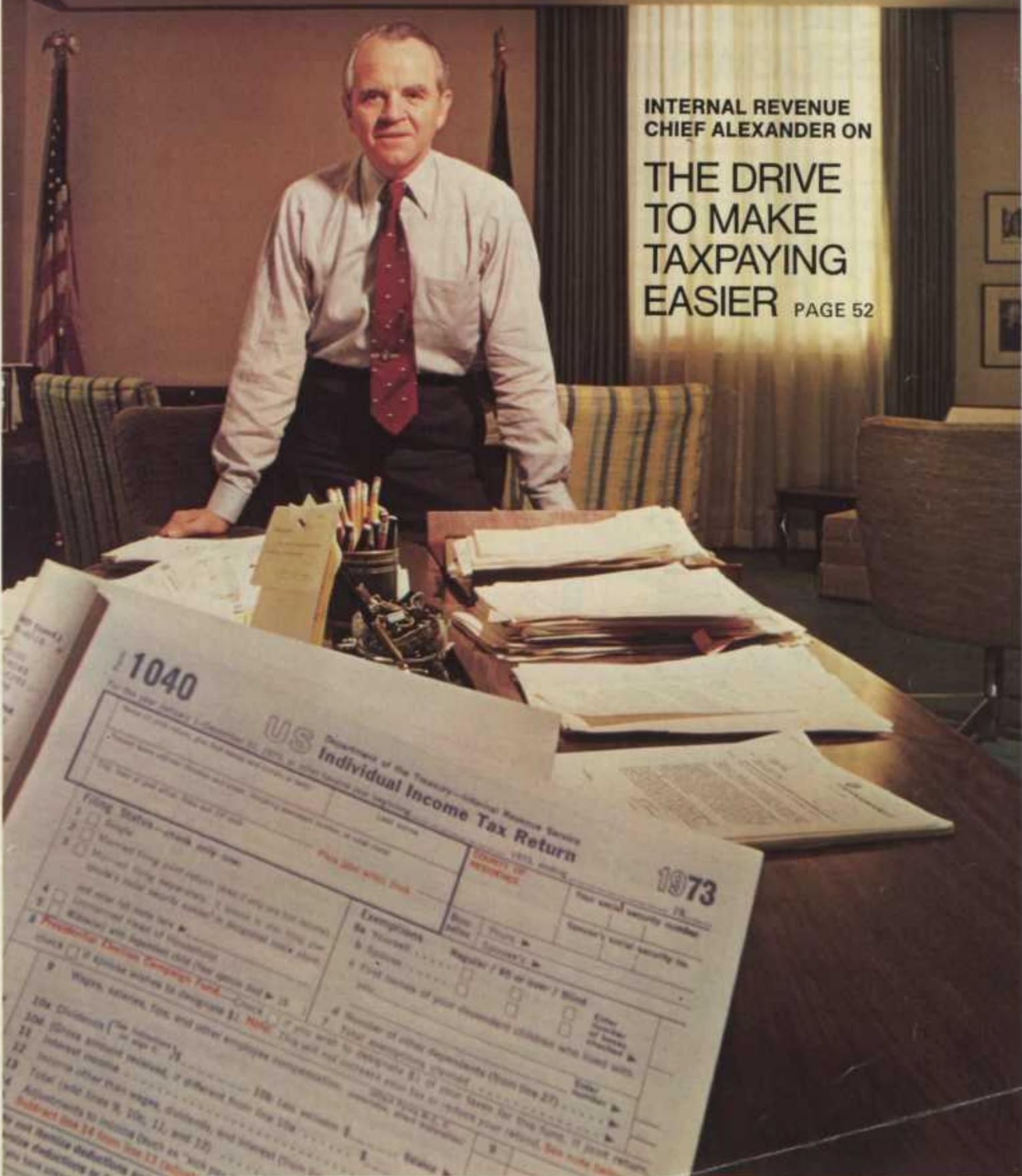


Nation's Business

INTERNAL REVENUE
CHIEF ALEXANDER ON

THE DRIVE
TO MAKE
TAXPAYING
EASIER PAGE 52



FORD'S AIM IS THE SAME AS YOURS: MORE ROADTIME LESS DOWNTIME

The Ford linehaulers you see below have "the new look of premium engineering." Their new appearance reflects the better ideas built into them... ideas that help to keep big Fords out of the shop; on the road; making money for you.

Ford frames, for example, are all premium steel, up to 110,000 psi — the strongest steel you can get in trucks.

Better ideas for the driver include spacious cabs, heavily insulated for quiet comfort... super-size windshields... truck-

type power steering. L-Series has an adjustable steering column, and gauges that read normal at "3'clock."

Radiators on 9000 Series Fords (shown) have bolted, stainless steel tanks, for strength and easy maintenance. Optional steel- and - silicone rubber coolant hoses are designed to last up to half a million miles.

Better ideas in Ford electrical systems, for high reliability, include a transistorized voltage regulator that automatically compensates for temperature changes. 16-gauge wiring has Hypalon® insulation, protected with neoprene / vinyl sleeves. Logically placed junction blocks save time in circuit testing.



Ford better ideas for maintenance

include tilting fiberglass front end on L-Series, standard, for feet-on-the-ground service. Nylon air lines are color-coded for fast tracing. Radiators have sight gauges for instant coolant check.

A Ford better idea to protect against rust

is an Electrocoat process: the cab is immersed in primer solution, which is bonded to the metal by an electric charge.

How well do Ford better ideas cut downtime? A 94% sales increase of extra-heavy-duty trucks in the past 5 years tells you something! See your Ford Dealer for other good reasons to go Ford—including sharply competitive prices.

Better ideas for more roadtime, less downtime.



FORD HEAVY-DUTY TRUCKS

FORD DIVISION



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Nation's Business

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Cover photograph by Yoichi Okamoto

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Can you spot 10 things

You've probably played this game a hundred times.

But this time, the idea isn't to have fun.

Our point is deadly serious: Around each of us are dangerous situations which we often can't see — either because we've grown so accustomed to them they no longer appear dangerous, or because we simply don't have the trained eyes of loss control specialists.

At Continental Insurance, our Loss Control and Engineering Department is staffed with highly-qualified specialists who can work with your people to spot these situations.

Their objectives are: To help prevent injury to employees. To help prevent damage to materials and property. To help prevent costly downtime. And to help keep your insurance costs down.

Let's say this is the picture at your business.

While our specialists would find more than 10 things wrong, can you spot at least that many?

1. The forklift is being driven with the fork up.
2. Employee is smoking in a "no smoking" area.
3. The filled scrap paper barrel should be emptied.
4. The fire extinguisher is improperly hung.
5. The exit sign does not indicate the direction of exit.
6. The steam pipes are not properly insulated.
7. The ladder is being improperly used.
8. The stock is piled too close to the sprinkler system.
9. The stock is poorly arranged.
10. The stock is not skidded in a sprinklered area.

As you can see, some of the problems are easy to see. And some aren't.

If you'd like to see a program — in your actual business — that can spot trouble before it can become real trouble, call your nearest Continental Insurance Agent. (He's in the Yellow Pages.)

Tell him you saw this ad.

And now you're looking for trouble.



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Moving toward better ways
wrong with this picture?



memo from the editor

One of the great strengths of our country has been the ability to build a better mousetrap—to adapt and innovate to solve any problem. Now, the energy crisis is forcing us to focus on some alternative possibilities for developing the power we need to heat our homes, run our factories and move our vehicles.

A good many of these alternatives are not new. We are all familiar with windmills pumping water on farms across the countryside. But what about using wind power to produce the same amount of electricity the nation consumed in 1970, 1.5 trillion kilowatt hours? Harnessing rivers to produce hydroelectric power is an old story. But what about harnessing the mighty surges of the oceans' tides? These are not dreams, but are among the actual possibilities. Senior Editor Sterling G. Slaphey tells about them—and others—in the article, "Energy Sources of Tomorrow" (page 20).

One intriguing possibility is utilizing heat from the earth's interior. Who knows? In the not-too-distant future, Old Faithful (see photo), the famed geyser at Yellowstone National Park so many of us have watched in awe, may be a source of warmth for tourist cabins there. To any who have struggled to get those cabins' wood stoves going, that would be a truly wondrous day.

• • •

Equally wondrous would be the successful completion of a goal set by Donald C. Alexander, the top man at the Internal Revenue Service. In an interview with Associate Editor Robert T. Gray (page 52), he tells how he aims to make it easier for you to figure out how much you have to pay Uncle Sam. Businessmen would certainly welcome anything that would make it less difficult to understand our mammoth tax code, 1,000 pages which spell out ways in which we now turn over \$260 billion a year to the federal government.

One human little touch Mr. Alexander has introduced for taxpayers who panic when they get that fearsome-sounding letter telling them they're going to have their income tax return audited: Inclusion of the name and phone number of a real, live person whom the taxpayer can talk to when he wants to know, "What do I need to show?"

• • •

Trying to find answers to problems seems to be in vogue in Washington these days—a healthy sign, per-

haps, that government is showing a renewed awareness that this is what the people want. James T. Lynn, Secretary of Housing and Urban Development, talked with Associate Editor David McLean about experimental programing to help cure the housing woes of some of our citizens. You'll want to read "A Better Way to Fight Blight?" (page 60).

PHOTO: NATIONAL PARK SERVICE - May sent 2-1-74



Of course, many of the problems for which answers must be found will come before the last session of the 93rd Congress. The session has just begun. Before the final gavel falls, Congress will debate programs that will affect all our lives in years to come.

In upcoming months, *Nation's Business* will be looking at some of them, including those focusing on a national health plan, transportation, revenue-sharing, education, manpower training and welfare reform. Such programs tend to carry huge price tags and as people who have to come up with large chunks of the money, it's in your interest to know more about them.

Jack Woodbridge

Moving toward better ways

Progress Report from Santa Fe

A record \$200 million was invested during 1973 for improvements in Santa Fe's operations—approximately \$220 million is planned for 1974. This will help produce more progressive transportation, new ideas in land development and efficient production of natural resources to serve Santa Fe customers and the Nation in better ways.

BETTER WAYS for Natural Resources

Successful exploration and development programs by Santa Fe companies have resulted in: 1 — Petroleum production of 46,000 barrels a day, 2 — Discovery of 370 million tons of strippable, low sulphur coal in the San Juan Basin of New Mexico planned for development along with several hundred million tons of coal on adjacent properties, 3 — Increased production of plywood and lumber products is planned from the expanded facilities of Kirby Lumber Corporation in Texas.

Oil drilling - Park County, Wyoming



Portobello apartment



Super C — World's Fastest Freight Train

BETTER WAYS in Transportation

\$105 million for 1974 backed up with \$107 million in 1973 to make our modern freight fleet even better with 118 new diesels and 4,260 new cars, plus a complete modernization of 215 diesels and 1,100 cars. Another major improvement now getting underway is a new \$38 million automated freight classification yard at Barstow, California. Better ways are also being applied to truck, Piggy-Back, container and pipeline services which are a part of Santa Fe's busy transportation system.

BETTER WAYS for Land Development

Major companies are constructing multimillion dollar manufacturing plants and distribution centers along the Santa Fe Railway.

Santa Fe's own real estate developments include the new, colorful Portobello apartment-shopping complex and marina providing ideal living conditions on San Francisco Bay. Now getting underway at El Paso, Texas is the West 10 — El Mercado Mesa shopping facility being constructed in the international atmosphere of Mexico and the Southwest.



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Do you have these common hang-ups with your telephone?



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- You call Charlie back only to find he needs information from Stanley-up-in-Shipping.

It's time you called Executone. Because even if Harry were tied up constantly, you could get through to him immediately on Executone Intercom. Charlie can reach you more easily, too, even if you're away from your desk. And if he needs information from other people in your company, you can get it for him immediately, avoiding costly call-backs.

All of this—and more—can be yours for less than you're paying now in money and inefficiency. Your local Executone man will make a study of your present phone system and suggest ways to get rid of your hang-ups. He may even recommend a new Executone Telephone Interconnect system that includes Intercom.

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executive trends

BY JOHN COSTELLO
Associate Editor

Some bad news from the bankers

Fed up with that 8½ per cent mortgage?

And maybe waiting till the rates get back to 4½ per cent or 5?

Don't hold your breath, says John Wetmore, Mortgage Bankers Association of America economist.

"Long-term interest rates are headed higher," he says.

The culprit: Inflation. Actually, he argues, mortgage rates are lower today than they were 10 years ago. After adjustment, that is, for the cheapening of the buck.

"The 'real' rate of interest," he says, "simply measures the cost of money after allowing for the loss in value caused by inflation."

Using that yardstick, a 9 per cent rate of interest can be dirt cheap.

"If prices increase 9 per cent in a year and the interest rate is 9 per cent per year," Mr. Wetmore points out, "the true cost of the money to the borrower is zero."

Last year, he says, the true rate on home mortgages was about 3 per cent—9 per cent minus 6 per cent loss of value because of inflation.

This was one third lower than the 4.5 per cent true rate in 1951, he adds.

What's the long-term outlook?

Gloomy: "The current escalation of inflation and the prospect for more inflation mean that long-term interest rates are headed higher, for several years to come."

Now, it's rent a brain

Company X in the photo industry wanted to be wooed and wed.

But it had a problem.

Earnings weren't good enough to draw a conglomerate's wandering eye. So Decision Making Information, a Santa Ana, Calif., think tank, took on the job.

It drew up a master plan, loaned the firm a team of experts and taught company executives how to put the plan into effect.

When profits hit the target, Decision Making took its fee—a percentage of the gain.

"It's a novel concept," a company spokesman says. "We only get paid if we produce. And our fees are based on a percentage of the increased business, profits or productivity we promise."

In some cases, the firm provides a client with a complete executive committee team—made up of think-tank whiz kids.

In other instances, it supplies experts with special managerial or technical skills to departments that lack them.

"Most consultants," a spokesman says, "provide a client with advice."

"Instead, we're kind of a rent-a-brain outfit."

"We provide the blueprint and, if needed, the executive and technical skills to put it to work."

Good news from the land of wine

The homegrown kind, that is.

California, last year, squeezed enough grapes to ship 239 million gallons of wine to thirsty Americans—and to customers abroad.

This year, it will do about 6½ per cent better.

The Wine Institute, San Francisco, Calif., says there's more than one reason why.

And price isn't the first.

At a recent blind tasting, it says, California Pinot Chardonnays were pitted against French white burgundies. The judges: Three importers, a French vineyard owner, half a dozen newsmen and experts on cuisine, plus a member of the Chevaliers de Tastevin.

As we all know, that's a group dedicated to appreciation—if not deification—of French burgundies.

Well, the results were an upset.

California wines, says the Wine Institute, took the first four places and tied for fifth.

Eight of them finished ahead of a 1970 Montrachet at \$25 a jug.

The native wines run from \$2.80 to

\$7.99 a bottle. The French rivals go for \$6.19 to \$25.

Over 800 other blind tastings showed similar results, the Wine Institute swears.

Moral: Don't slink out of the wine and cheese shop with your half-gallon of California zinfandel. The domestic stuff is good.

Carry it proudly like a Chevalier de Tastevin babying his Chateau Lafite-Rothschild.

Doing your bit in the energy crunch

Take a look at your company's parking lot.

Probably, it's full of cars that arrive with a driver and no passengers.

If so, here's a chance to help the U.S.A. save on gas.

Commuters use a lot of the millions of gallons of gasoline that motorists burn daily. Car pools can make a big dent in that gas consumption.

"For example," says Larry A. DeFries, executive vice president, Logansport (Ind.) Area Chamber of Commerce, "four employees—instead of one—in a car that makes a 40-mile round trip to the office could save about 12 gallons a day."

"Assuming that this keeps in the garage three other cars that get 10 miles to the gallon in commuter traffic."

That's 60 gallons a week.

The Logansport Chamber (109 Fifth St., Logansport, Ind. 46947) has a handy outline on how to form a company car pool and promote it.

It's yours for the asking.

Handy guide for car buyers

Thinking of buying a new gas buggy? If so, here are some questions to ask yourself.

How many people, including the driver, will ride in it most of the time?

Do you plan to use it for family vacations?

How will it be used:

- ☐ As an all-purpose, family car?
- ☐ A second car for short distance driving?
- ☐ For lengthy commutes to and from work?

About how many miles will you drive a year?

Where will most of your driving be done:

- ☐ In congested, stop-and-go traffic?
- ☐ In constant-speed expressway conditions?

Do you enjoy driving a highly responsive car?

Will you need the car for towing a boat or another kind of trailer?

Will your new car have air-conditioning and other power equipment?

How important is gas mileage to you?

These are just a few of the questions suggested in Ford Motor Co.'s handy, 160-page booklet: "Car Buying Made Easier." Your answers are a good guide to the kind of car you'll need.

The booklet has lots of other information valuable to motorists. For example, on brakes, power steering, test-driving, insurance and leasing. It's free. Write: Ford Motor Co. Listens, P.O. Box 1974, Dearborn, Mich. 48121.

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08-01-72

VALUED AS OF
08-10-72

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1234

POLICY NUMBER 007 AL

POLICY YEAR 1971

458097 SPA

| DATE | DESCRIPTION | STATE | VALUE AS OF 08-10-72 | CHARGES | CURRENT VALUE | STATUS | COV |
|---------------------------|--|-------|----------------------|---------|---------------|---------|-----|
| 08-23-71 | PASCHE GEORGE 07 AA 147294 BG | CT | 7 400 | 2 600 | 10 000 | OPEN | BI |
| | INSURED CROSSED MEDIAN AND STRUCK VEHICLE AND DRIVER | | 1 800 | | 1 800 | | PD |
| | | | 1 300 | | 1 300 | | EXP |
| 08-23-71 | PASCHE GEORGE 07 AC 175621 BG | CT | 3 000 | | 3 000 | D/C | AMD |
| | INSURED CROSSED MEDIAN AND STRUCK VEHICLE | | 480CR | | 480CR | | S/S |
| 09-30-71 | STANDEROSKI P 07 AT 159341 SP | CT | 400 | | 400 | CLOSED | AMD |
| | INSURED'S VEHICLE WAS STOLEN | | | | | | |
| CLAIM DISTRIBUTION | | | | | | | |
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| TOTAL | | | | | | | |
| | | | 2 CLOSED | | | | |

FACE 1

CAN. DIVISION HARTFORD CT 06103

You've got to spot the problems to stop the problems.

Aetna's Claim Status Report lets you do both. Now you'll be able to find out the what, where, when and who of problem areas in your organization. And then eliminate them. You'll be better able to control your losses and reduce your insurance premium cost. In fact, with the help of our new report, you can increase the efficiency of your entire operation. It's one of the most comprehensive and flexible reports of its kind in the industry...the latest addition to Aetna's highly regarded loss control activities.

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by James J. Kilpatrick

The Uses of Adversity

In one of the most familiar passages of "As You Like It," the old duke gazes happily about the forest of Arden. The pangs of exile have not subdued his spirit. "Are not these woods," he asks, "more free from peril than the envious court?" He is prepared to profit from his banishment: "Sweet are the uses of adversity, which, like the toad, ugly and venomous, wears yet a precious jewel in [its] head; and this our life exempt from public haunt finds tongues in trees, books in the running brooks, sermons in stones, and good in everything."

This is the stuff, to be sure, of which little Pollyanna's Glad Game was made, yet the old duke's philosophy provides an enduring lesson that grown men can put to good use. The past year was indeed a year of adversity. The year ahead offers little prospect of improvement. But if we are strong and unafraid, and do not heed the counsels of despair, we too may discover a precious jewel in the venomous toad.

How will the political historians look back on 1973? It will be remembered, one supposes, largely in terms of the cumulative misfortunes of Richard Nixon. He entered upon the year fresh from the greatest electoral victory in modern times. His second inaugural address, devoted in part to the theme of self-reliance, rang with confidence, faith and hope. He looked ahead to "the best four years in America's history." And he ended the year a man besieged.

The nation has known other such falls from glory—the names of Burr

and Grant and Bryan come to mind—but there is something especially shocking in the fury of the storm that broke about Nixon. Few persons could have imagined, listening to the cheers of Inauguration Day, that within nine months the Vice President would have resigned, a man disgraced by tax evasion; or that the Watergate hearings would have disclosed such cheap and sordid corruption; or that the President himself would have bequeathed to Bartlett's "Familiar Quotations" an immortal affirmation: "I am not a crook."

Doubtless there were wise men in the food business, the fuel business and the investment business who could have predicted, as 1973 began, what would happen to the cost of living, to the supply of energy, to the market and to interest rates. Perhaps the breakdown of peace in Viet Nam, the Yom Kippur war, and the Arab oil embargo were foreseeable events. Taken as a whole, the year was a year of unrelenting disaster, filled with the wild jangle of alarms and the whine of ceaseless sirens. And looking ahead, the pessimist sees the threat of impeachment, the rippling consequences of an energy shortage, continued inflation, and in November the possibility of a Republican rout at the polls.

Hard lines? Yes. But it may help, it seems to me, if we look at these tribulations in the fashion of Janus, thinking first of the past and then of the future.

Sen. Sam Ervin, in a moment of hyperbole, once said that Watergate

is the worst thing that has happened to American government in the history of the republic. With deference to the Senator, it isn't so. The two years of the Alien and Sedition Acts were years of fear and despotism. The nullification crisis almost wrecked the Union. Thirty years later, secession of the Southern states wrought ruin, bloodshed and misery. The Hayes-Tilden scandal of 1876 saw the Presidency itself bartered and sold.

The horrors of Watergate are bad—heaven knows they are bad—but to speak of Watergate as the "worst" is to say too much.

So, too, with the material miseries that afflict us. In a nation of two-car families, two-house families, color-coded telephones, power mowers, minibikes, snowmobiles and swimming pools, it may take an effort to recall another America just a few generations ago. This was an America of child labor, sweatshops, dimly lit houses, horse-drawn vehicles; an America of mud roads, soup lines and old soldiers selling apples. This nation has known massive poverty and massive hunger. There is a nice irony today, considering the country's most prevalent ailment, in appeals to "tighten our belts." The most prevalent ailment, of course, is obesity.

The point is that our country has survived experiences worse than Watergate, worse than the duplicity of Spiro Agnew, worse than the current inflation, worse than this energy crisis. We have survived and prospered because of two great assets—

The Uses of Adversity *continued*

the nature of our institutions, and the character of our people.

Why should we suppose that these will fail us now? The President touched on this theme in his address on April 30: "Some people, quite properly appalled at the abuses that occurred, will say that Watergate demonstrates the bankruptcy of the American political system. I believe precisely the opposite is true. Watergate represented a series of illegal acts and bad judgments by a number of individuals. It was the system that has brought the facts to light and that will bring those guilty to justice—a system that in this case has included a determined grand jury, honest prosecutors, a courageous judge, John Sirica, and a vigorous free press."

It has to be acknowledged, in passing, that in the months that followed that address, Mr. Nixon cooled on the grand jury, fired his chief prosecutor, resisted the orders of the judge, and blistered the press for vicious and distorted reporting. He was right the first time around: *Our institutions worked*. The system functioned. The prolonged court battle over release of the Presidential tapes was just that—a court battle. The Senate investigation, for all its trappings of show biz, fulfilled its purpose: When the parade of witnesses had come and gone, we had a better understanding, if not a perfect understanding, of how the abuses of power had occurred. The press did its job, sometimes with an excess of zeal that smacked more of persecution than of objective reporting. The marvel is not that so much was covered up for so long, but that so much was disclosed as the institutions of the American republic got down to work.

We saw this healthy phenomenon later in the year, in the matter of Spiro Agnew. John W. Dean III had proposed to use the machinery of the Internal Revenue Service to "screw our enemies," but the tax law ground down instead upon the Vice President of the United States. With his resignation, the untested procedures of

the 25th Amendment had to be invoked. Mr. Nixon might have delayed the nomination of a new Vice President—the Amendment imposes no deadlines—and there would have been obvious personal and political advantages in delay. By the same token, the House and Senate could have stalled for months on the confirmation of Gerald Ford, further embarrassing the Administration and prolonging the period of uncertainty.

Again, the system worked. Mr. Nixon acted promptly; the Congress acted responsibly; and the Constitution did the rest. The succession from Mr. Agnew to Mr. Ford passed as smoothly as the shifting of gears in an automatic transmission.

The durability of our institutions is buttressed by the lively character of our people. It is a risky business, to be sure, to generalize about the American character. When things are going well, or not too badly, Americans probably are no more virtuous, cooperative or patriotic than other breeds of men. But the first couple of months of the energy crisis, after the Arab nations imposed their embargo, produced an immensely heartening reaction. Motorists who had been zipping down the freeways at 70 or 80 miles an hour voluntarily slowed to 50 and 60. Across the nation, homeowners turned down their thermostats. In Washington, traffic lanes that had been reserved for buses were opened to cars carrying four or more passengers; overnight, car pools came together. Out in the country, where I live, we began to telephone our neighbors before driving 20 miles into town: "Is there anything I can get for you?"

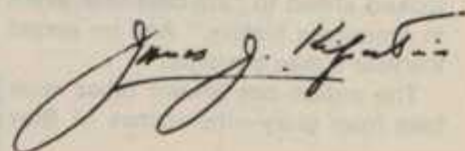
Something else seems to be occurring. I cannot quite put a name to it. It is not a rebirth of patriotism, exactly, or a brand new love of country, but there is a perceptible stirring of the old togetherness and the old spirit of can-do. The wagon train forms in a circle. Wait and see: Over the next several years, Americans will tap reservoirs of inventiveness and resourcefulness. The same savvy that split the atom and put men on

the moon will solve problems of solar energy, wind energy, tidal energy, geothermal energy. We will make a fuel from garbage and run buses on steam. One of these days we will speak fondly of our friends, the Arabs. In the fall of 1973, we will recall, they did us one prodigious favor.

In echoing the old duke bit, I do not mean to minimize the difficulties or underestimate the divisions that remain. Adjustments to the energy shortage already have displaced thousands of jobholders. Such hardships are only beginning. Inflationary forces, especially in fuel and food, are not likely to be checked anytime soon. The wounds of Watergate will heal slowly. A certain amount of clashing and grinding is bound to accompany the process of gearing down.

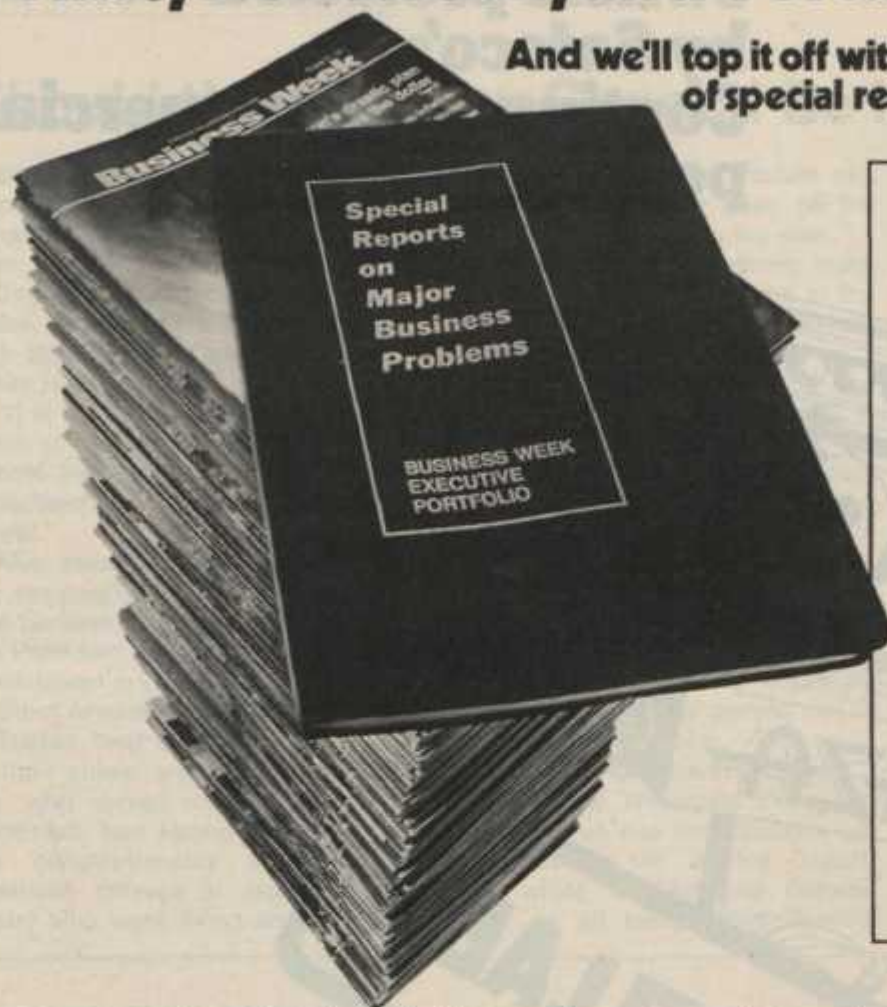
But the hardships will not be unbearable nor the problems insurmountable. Traveling at 50 miles an hour, we will see things we never saw at 70. In finding a sense of community, we may profit from values that were overlooked before. The fat man, so I understand, experiences a great satisfaction when he diets down to size, and discovers that beneath the flab, the old muscles and sinews were there all the time.

There used to be a comic strip character who was "always belittlin'." That is what we seem to have been doing for the past two or three years: Denouncing the President, deriding the Congress, voicing disenchantment with business, education, politics and the press. It is all part of free speech, and all part of the grand old American way. We are the biggest bellyachers on earth. But there are other parts of the grand old American way, characterized by humor, strength, integrity and high purpose. So what if the lights dim? We will find them again.



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Should the Attorney General Be Independent?

Elliot Richardson was not the first Attorney General of the United States to quit in disagreement with a President.

One of his predecessors, Edward Bates, became increasingly unhappy with actions of the man then in the White House.

"It is my duty above all other ministers of state," Mr. Bates said, "to uphold the law and to resist all encroachments . . . of mere will and power."

After many clashes, he submitted his resignation to Abraham Lincoln and became a severe public critic of the President on the issue of military involvement in civil matters.

Other Attorneys General have subordinated their concepts of the law to their chiefs' wishes. Francis Biddle, who served under Franklin D. Roosevelt, had strong doubts about the constitutionality of internment of American citizens of Japanese ancestry who were living on the West

Coast when World War II broke out. But, Mr. Biddle wrote later, he felt "disinclined to insist on my view."

These instances are among many dramatizing the special nature of the office of the country's chief law enforcement officer.

The U.S. Attorney General is one of 11 Cabinet members serving at the President's pleasure. But he alone among them can investigate the conduct of the President, who appointed him; or of members of Congress, from which he derives his authority and operating budget; or of federal judges, in whose courts he tries cases.

In most states, the chief legal officer is elected by the people and is answerable only to them.

Now, Chairman Sam Ervin (D.-N.C.) of the Senate Watergate investigating committee has introduced a bill to restructure the Justice Department, which the Attorney General heads, as an independent agency.

The Department, he says, "should be insulated from the direct political control of the Executive branch of government" to ensure "proper administration of justice."

The President would continue to name the Attorney General, but for a fixed six-year term, and could remove him only for "neglect of duty or malfeasance in office." Others contend that an Attorney General should be subject to removal only through impeachment.

But those favoring the present system argue that it has generally worked well, and that setting up an independent Attorney General would be tantamount to creating a fourth branch of government which could upset the nation's traditional balance of powers. And, they say, the authority vested in such an Attorney General could easily be abused.

What do you think? Should we have an independent Attorney General?

Jack Wooldridge, Editor
Nation's Business
1615 H Street N.W.
Washington, D.C. 20006

Should we have an independent Attorney General?

☐ Yes ☐ No

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A Nationwide Exercise in Self-Control

The Nixon Administration's basic approach to the energy shortage would appear to win a round of applause from a majority of NATION'S BUSINESS readers.

Sixty per cent of the readers who responded to the "Sound Off to the Editor" question in the December

"Private enterprise, if properly motivated, can accomplish far more..."

issue said they thought individuals, and businesses and other institutions, could conserve enough energy on a largely voluntary basis to make it unnecessary for the government to resort to consumer rationing and other direct intervention.

Thirty-three per cent of those responding didn't see a voluntary approach as the solution, or at least enough of a solution, to the problem of getting the country through the demand side of the crunch. And 7 per cent answered both Yes and No, indicating both approaches should be tried. Some in the Yes and No category said, however, that they thought both approaches would fail.

It's important to remember that the energy question was put to readers soon after predictions of a moderate fuel deficiency for the winter blew up into talk of "the most acute shortage of energy since World War II" following the cutoff of Arab oil shipments to the United States.

Two months ago, the federal government itself was in the midst of deciding what tack to take while it shifted leadership of the energy effort from former Colorado Gov. John Love to the present energy chief, William Simon.

Since then, federal controls such as mandatory allocation quotas and

legislated speed limits have made the approach much less than purely voluntary. But the government has been consistent in trying to keep consumer controls at a minimum and to allow the market system and voluntarism to play major roles in conserving fuel.

"If the government attempts to regulate energy, it will be a complete mess, just like anything the government tries to regulate or control," says John R. Appell, partner, Gene Ives Acoustic & Tile Co., Waco, Texas. "The answer is to increase production, not just spread out the available energy."

L.C. Paulsen, vice president, Lippert Corp., Menomonee Falls, Wisc., comments: "Supply and demand has been a winning system for 200 years. Let's stick with it. Private enterprise, if properly motivated, can accomplish far more than involuntary controls."

Royce N. Ford, owner of Ford Office Supply Co., Gladewater, Texas, votes for a voluntary approach, "but I realize certain government regulations will and must come with this voluntary system." Mr. Ford cites as necessary such steps as getting Detroit to produce autos that will do about 20 miles to the gallon, and "special attention" to certain groups that don't seem to be cooperating. "This plus American ingenuity will do the job," he says.

"Energy consumption will decline to the available supply," asserts E.A. Henry Jr., vice president, Continental Can Co., Greenwich, Conn. "However, some intervention will be required to avoid gross regional imbalances. National priorities must be set for our preferred usages of energy. I favor drastic taxing of scarce fuels to fund mass transit and energy research and development."

On the negative side of the argument a lot of frustration comes through. Readers express skepticism about the Administration, about some large corporations, and about

the American public, which they say is simply too spoiled, too accustomed to a "let-George-do-it" attitude to save enough energy on a voluntary basis.

"Americans are willing to try voluntary controls, but we are too used to the easy life," says J.W. Frye, owner of the real estate firm of J.W. Frye Co., Rittman, Ohio. If the situation is as serious as outlined, he goes on, "we must have reasonable controls for equitable distribution. Business must be kept going to avoid widespread unemployment which could lead to a depression."

"It's going to take more than voluntary controls by citizens," comments Daniel Beale, a consultant at Creative Management Group, Inc., Southfield, Mich. "We need the co-operation of big business, something the President doesn't expect to get on a voluntary basis."

"Watergate leads to a distrust of government," writes George E. Smith, an attorney in Alamosa, Colo. "The concession that 'things aren't right' leads to an attitude of defeat. Voluntarism cannot thrive in this environment."

The public, says Jim D. Marler, vice president, Tennessee Hospital

"Americans are willing to try voluntary controls, but we are too used to the easy life."

Association, Inc., Nashville, Tenn., "will not be willing to make the sacrifice. However, high taxes are not the right answer, because the low-income people will be hurt severely... Obviously, someone in the federal government has been asleep at the switches to have let our country wind up in such a perplexing situation."

"No way," answers W.J. Morgan, vice president-traffic, Frito-Lay, Inc., Dallas, Texas. "People will not voluntarily give up this basic commodity [energy] because it permeates every facet of their life-style. However distasteful, controls will be needed to stretch available supplies."

"I do not believe this Administration has the will or ability to select the proper men to administer a program to take care of the energy crisis," comments R.E. Gohlman, president, Gohlman Realty & Investment Co., Rockford, Wash. Mr. Gohlman believes a "crash program" like the man-on-the-moon space shots is needed to develop oil shale and coal resources.

W. Kent Jones, Huntingdon, Tenn., attorney, says: "Big Brother's words of caution notwithstanding . . . rationing is the only answer, assuming the problem really exists."

However, R.A. Bohme, general manager for Southwest Forest Industries in Kansas City, Kans., offers a concrete example of what voluntarism can do. "We have had an affirmative action program on natural gas, #2 oil, electricity and gasoline for the past year in our corrugator plant that employs 130 people," he says. "We have reduced our consumption 28 per cent while experiencing a 10 per cent growth in our business."

"I feel every American is aware of the severity of the fuel shortage and will make a good effort to conserve on a voluntary basis," writes Bruce A. Ladson, supervisor, Universal Tire Co., Rockville, Md. "I have noted this within our company."

"Americans have shown in the past that we are able to sacrifice whenever necessary to make ends meet and maintain our economy and life-style," writes Mark R. Benson, vice president, Benson Industries, Miami, Fla. "With realistic guidelines and clearly defined goals, we'll do it."

Kurt M. Krupp, manager, Falls Mobile Homes, Idaho Falls, Idaho, also strikes a confident note: "Americans have more moral fiber than the politicians we elect are giving us credit for. If we receive an honest, straightforward appraisal of the situation, and a practical program to solve it, we can do it on our own."

a meeting with purpose

When people meet, a number of things can happen.

They can talk, or they can listen. They can agree, or disagree. Even fight.

But most of all they can exchange ideas, opinions and information.

And there is value in such an interchange. When a meeting is planned with a purpose, there is a good chance that there will be increased knowledge and understanding. Couple good entertainment with presentations by knowledgeable people, and the ingredients for a good meeting are present.

Add the opportunity to be seen and to be heard as well as to see and to hear, and the meeting will be the kind people want to attend.

All these ingredients have been assembled for such a meeting in Washington, D.C. That's the 62nd Annual Meeting of the Chamber of Commerce of the United States. The dates are April 28-30.

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what readers want to know

• **Is Congress giving President Nixon a rough time because of Watergate? What I mean is, does he find it harder to get legislation passed?**

Well, the President certainly had a bad batting average in 1973. One study shows he won only 50 per cent of the recorded votes on which he took a position during the year. That's more opposition than any President has encountered in Congress in the past 20 years.

The Democrats, who control both Houses, deny Watergate was a factor. Rather, they claim the President was being rebuffed for impounding funds they had already approved, for vetoing many major bills and for threatening to scuttle a number of long-standing social programs. Mr. Nixon used the veto successfully eight times in 1973. However, he has seen more of his vetoes overridden than has any President since Harry Truman.

The real tug-of-war between the White House and Congress, of course, is over spending, with each party hurling accusations at the other. Senate Republican leader Hugh Scott says, "Asking the Democrats to hold down spending is like asking an alcoholic to be your bartender." Still, the Republicans are hard put to defend the fiscal 1975 budget—the first to hit \$300 billion.

• **Who built the Watergate complex, who owns it now and how much is collected on it?**

The complex—two office buildings (one in which the famous, or infamous, break-in occurred), a hotel, three cooperative apartment buildings and a shopping mall—was built by the Watergate Improvement Association, a subsidiary of the Italian-headquartered Societa Generale Immobiliare, which continues to own and manage the property.

Contrary to early stories, neither the land on which the Watergate is built nor the complex itself are, or were ever, owned by the Vatican. Societa Generale is a publicly held corporation and its stock is listed on the London Exchange.

According to the District of Columbia tax assessor's office, the various components of the Watergate paid \$1,175,830 in real estate taxes last year. Interestingly, one of the most successful enterprises in the shopping mall is a liquor store. It does a landslide business selling specially-labeled "Watergate" bourbon and Scotch.

• **I can't believe President Nixon could be so cruel as to veto a new minimum wage bill that would pay people more than a paltry \$1.60 an hour. What's the story?**

It's not that simple, of course. The President actually favors legislation that will raise the minimum wage gradually to \$2.30 an hour over the next four years.

The bill Mr. Nixon vetoed would have deprived thousands of teenagers of useful employment, and have raised the rate so fast as to have been inflationary. He wants a two-tiered minimum wage that would guarantee teen-agers 85 per cent of the adult floor wage. In this way, many jobs would be opened to them by employers, especially small businessmen, who feel they cannot pay the higher rate. The Administration is making a new effort to get this kind of system enacted by Congress.

• **Which group of veterans—World War II or Viet Nam-era—has made the most use of GI educational benefits?**

So far, more than 2,250,000 Viet Nam-era vets have gone to college under the GI Bill. During the entire 12 years of the World War II GI Bill, 2,230,000 ex-servicemen took advantage of the school aid program. The Korean GI Bill was in effect for seven years and in that time 1,158,109 veterans enrolled in college. Since the education program enacted as a result of Viet Nam will continue indefinitely, the number of veterans going to college at government expense under this program will far outstrip the number of those who went to college under the post-World War II program.

when I planned to retire before fifty

this is the business that made it possible

a true story by John B. Haikey

Starting with borrowed money, in just eight years I gained financial security, sold out at a profit and retired.



"Not until I was forty did I make up my mind that I was going to retire before ten years had passed. I knew I couldn't do it on a salary, no matter how good. I knew I couldn't do it working for others. It was perfectly obvious to me that I had to start a business of my own. But that posed a problem. What kind of business? Most of my money was tied up. Temporarily I was broke. But, when I found the business I wanted I was able to start it on a little over a thousand dollars of borrowed money.

"To pyramid this investment into retirement in less than ten years seems like magic, but in my opinion any man in good health who has the same ambition and drive that motivated me, could achieve such a goal. Let me give you a little history.

"I finished high school at the age of 18 and got a job as a shipping clerk. My next job was butchering at a plant that processed boneless beef. Couldn't see much future there. Next, I got a job as a Greyhound Bus Driver. The money was good. The work was pleasant, but I couldn't see it as leading to retirement. Finally I took the plunge and went into business for myself.

"I managed to raise enough money with my savings to invest in a combination motel, restaurant, grocery, and service station. It didn't take long to get my eyes opened. In order to keep that business going my wife and I worked from dawn to dusk, 20 hours a day, seven days a week. Putting in all those hours didn't match my idea of independence and it gave me no time for my favorite sport—golf! Finally we both agreed that I should look for something else.

"I found it. Not right away. I investigated a lot of businesses offered as franchises. I felt that I wanted the guidance of an experienced company—wanted to have the benefit of the plans that had brought success to others, plus the benefit of running my own business under an established name that had national recognition.

"Most of the franchises offered were too costly for me. Temporarily all my capital was frozen in the motel. But I found that the Duraclean franchise

offered me exactly what I had been looking for.

"I could start for a small amount—a little over a thousand dollars—and that amount I could borrow. I could work it as a one-man business while getting a start. No salaries to pay. I could operate from my home. No office or shop rent or other overhead. For transportation I could use the trunk of my family car. (I bought the truck later, out of profits.) But, best of all, there was no ceiling on my earnings. I could build a business as big as my ambition and energy dictated. I could put on as many men as I needed to cover any volume. I could make a profit on every man working for me. And, I could build this little by little, or as fast as I wished.

"So, I started. I took the wonderful training furnished by the company. When I was ready I followed the simple plan outlined in the training. During the first period I did all the service work myself. By doing it myself, I could make much more per hour than I had ever made on a salary. Later, I would hire men, train them, pay them well, and still make an hourly profit on their time that made my idea of retirement possible—I had joined the country club and now I could play golf whenever I wished.

"What is this wonderful business? It's Duraclean. And, what is Duraclean? It's an improved, space-age process for cleaning upholstery, furniture, rugs, and tacked down carpets. It not only cleans but it enlivens and sparkles up the colors. It does not wear down the fiber or drive part of the dirt into the base of the rug as machine scrubbing of carpeting does. Instead it *lifts* out the dirt by means of an absorbent dry foam.

"Furniture dealers and department stores refer their customers to the Duraclean Specialist. Insurance men say Duraclean can save them money on fire claims. Hotels, motels, specialty shops and big stores make annual contracts for keeping their carpets and furniture

fresh and clean. One Duraclean Specialist recently signed a contract for over \$40,000 a year for just one hotel.

"Well, that's the business I was able to start for a little over a thousand dollars. That's the business I built up over a period of eight years. And, that's the business I sold out at a substantial profit before I was fifty."

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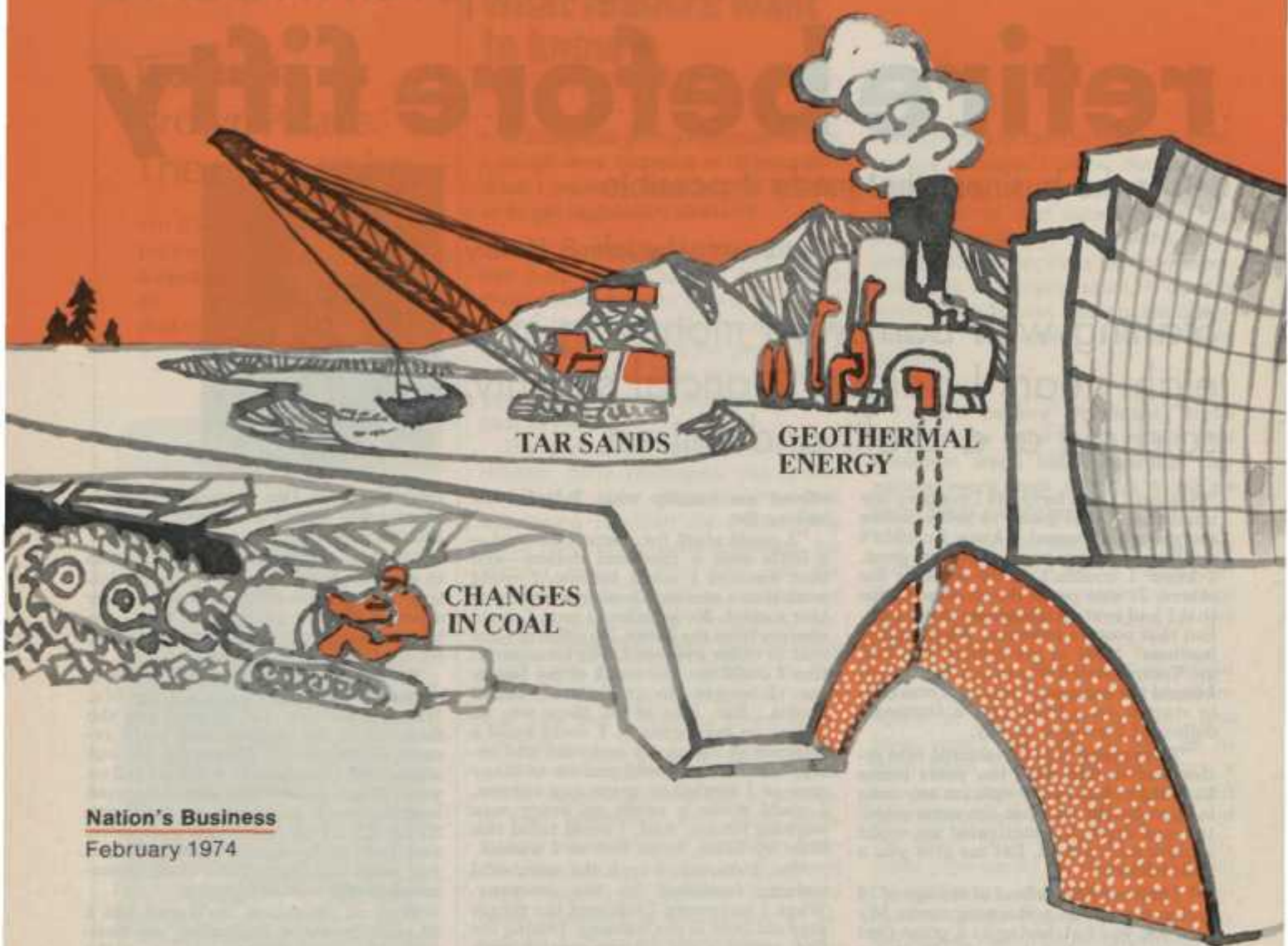


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Nation's Business
February 1974



Energy Sources of Tomorrow

Some belong to yesterday, but new ways of using them are surfacing; others have never been tapped

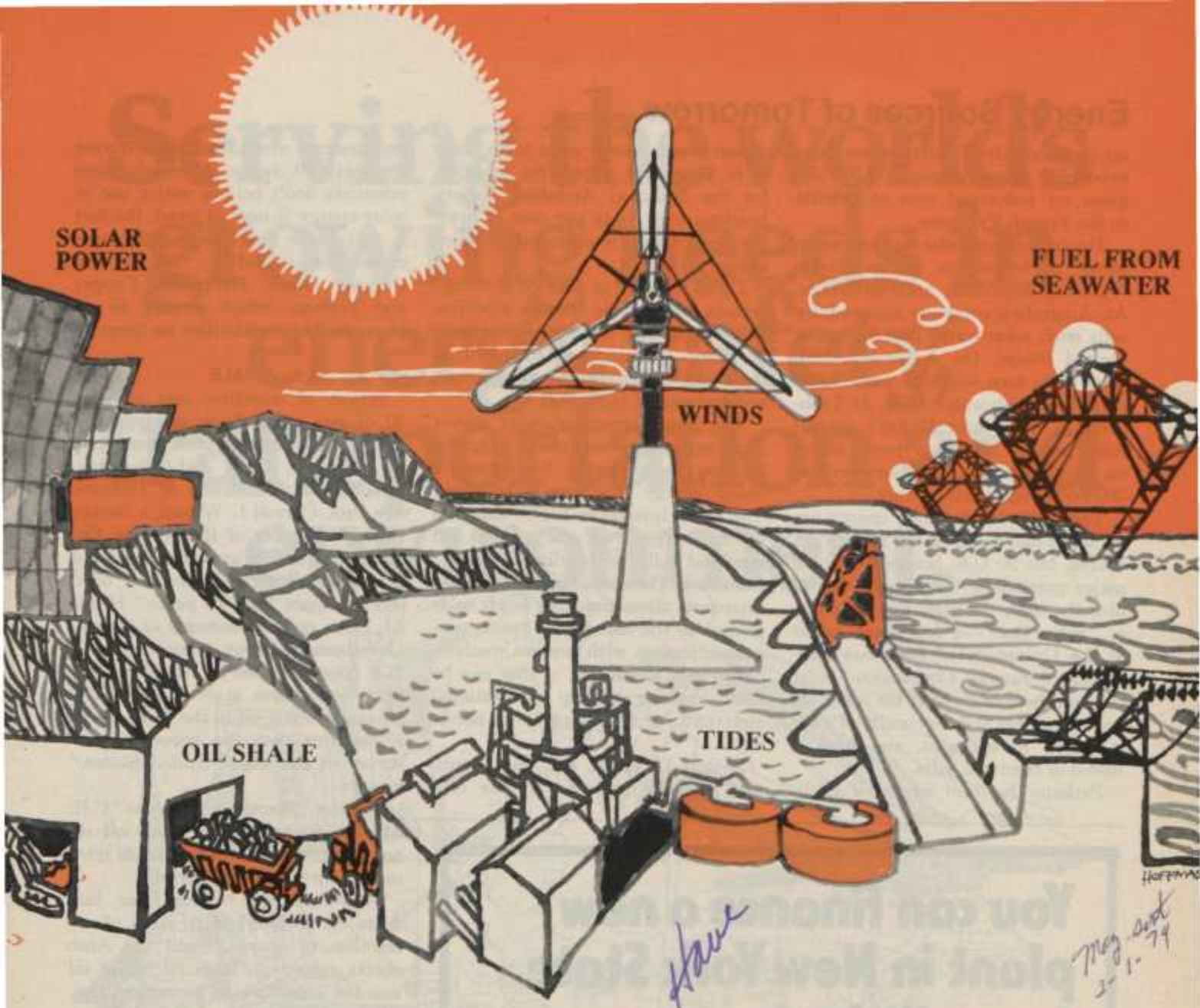
To meet their energy needs, Americans over the past century have reached deep beneath the ground and the waters, building mighty railroads, highways and pipelines—and complicated vehicles, vessels and equipment—to bring out the coal, oil and gas.

They have constructed huge dams to generate hydroelectric power. And they have tamed the atom.

All this has fed an insatiable appetite for power in an age of burgeoning affluence, keeping factories in operation and making homes warm in winter, cool in summer. And allowing 150-pound people to speed about in 5,500-pound automobiles.

During this period of plentiful, cheap fuel and power, there seemingly was no need for other sources of energy. Now there is.

With the rest of the world energy-hungry, too, with small nations having a very large say on how much oil is produced and who gets it, with our own oil and gas supplies diminishing at an alarming speed while Alaskan and East Coast offshore production are still years away, we now turn toward energy alternatives to supplement or even replace present sources. They include:



- Getting power from the sun. Our space stations hanging between earth and infinity tap the sun for energy and we are striving to do the same on a giant scale on earth.
- Piling up enormous heaps of shale in Colorado, Utah and Wyoming and cooking this rock to produce oil.
- Scooping up huge mounds of tar sands and separating oil from sand.
- Producing gas, oil and a new solid fuel from that plentiful energy source, coal.
- Using the wind, one of man's oldest sources of power, in a modern version of the venerable windmill and in ships that would turn back the clock though they're as new as tomorrow.
- Extracting energy from the ocean tides.

- Harnessing heat from the earth's interior.
- Turning mountains of garbage into usable gas.
- Progressing from the nuclear fission process of obtaining atomic energy, with its dependence on limited supplies of uranium, to thermonuclear fusion, which uses a substance in seawater that is in unlimited supply.

If we are to maintain our prosperous way of life, we need additional energy. Though some of these alternative sources—such as thermonuclear fusion—probably won't be employed before our grandchildren's day, others will be tapped in the near future.

The Administration is proposing that the federal government spend

\$1.8 billion on energy research in the next fiscal year, with large sums going to development of some of these sources. Here's a look at the present shape of things to come:

THE SUN

Despite the old saying, there are new things under the sun. But the idea that man can use more of the solar energy that pours toward us is not one of them.

Archimedes, the Greek philosopher, burned a Roman fleet attacking his home town of Syracuse in 214 B.C. by focusing sun rays on the wooden ships with mirrorlike plates. A steam engine powered by the sun's heat operated a printing press at a Paris exposition 100 years ago. For many months, a solar furnace made

Energy Sources of Tomorrow *continued*

up of hundreds of mirrors has been producing temperatures of 3,500 degrees for industrial uses at Odeillo in the French Pyrenees.

Twelve million solar heaters warm water in houses in Japan, South America, Australia and elsewhere. An Australian company successfully sells such solar water heaters in the United States. On a Greek island, solar stills turn seawater into 10,000 gallons of fresh water daily. At Tashkent, in the Soviet Union's central Asia region, scientists push ahead on solar research. One laboratory has 300 Soviet scientists at work.

The technology of solar energy use for buildings is still in its infancy, of course, but 30 U.S. houses now take major portions of their energy needs directly from the sun. For example, at "Solar One"—a four-room house at the University of Delaware's Institute of Energy Conversion—solar cells on the roof convert the sun's energy into heat and electricity. Power is stored in batteries, and heat is stored in chemical salts.

Perhaps the most advanced appli-

cation of sun power on a large scale is in Boston at a building addition for the National Audubon Society headquarters. Sixty per cent of heating and cooling is provided by solar energy.

Down the road of years it is almost certain that groups of huge satellites will be sent into space to permanently collect—unhindered by night or clouds—vast amounts of solar power, and transmit it to earth.

The development of solar power applications moves ahead rapidly because the potential for obtaining cheap energy this way is so great. The earth intercepts 10,000 times as much energy from the sun as all mankind will be needing 25 years from now. The roof of a typical house intercepts three times as much solar energy as the energy the house consumes, though with present methodology only a fraction of that can be used—making backup conventional electricity or fuel supplies a necessity.

Arthur D. Little, Inc., has identified markets for solar climate con-

trol systems worth \$1 billion during the next 10 years. Although some scientists don't believe major use of solar energy is near at hand, the fact is that Little has lined up 26 large companies—including Du Pont, Corning Glass, Kennecott Copper and Textron—which want it to explore market possibilities for them.

SHALE

Scores of countries and at least 30 of our states have extensive oil shale, but nowhere is there more than in Colorado, Utah and Wyoming. Massachusetts Institute of Technology Prof. Carroll L. Wilson, a former general manager of the Atomic Energy Commission, says the area could provide "five million barrels of oil a day for more than 20 years." Hollis M. Dole, general manager of Colony Development Group, a consortium of U.S. companies led by Atlantic Richfield, says there is even more. Recoverable shale oil in the three states is "greater than the proved oil reserves in the whole United States," he says.

Interior Secretary Rogers C.B. Morton says estimated shale oil reserves on federally owned lands total more than 600 billion barrels.

Why has this treasure just lain there for so long? High costs of extraction, of course. Until the Arab sheiks priced up their oil, shale oil was too expensive to be competitive. At about \$6 per barrel, it isn't now.

Big things are being done to make up for lost time. The federal government owns about 72 per cent of the best shale lands and recently the Interior Department began leasing large tracts to private companies for mining and production.

The extent of private firms' interest has been underscored by the bidding. Standard of Indiana and Gulf Oil combined to offer \$210 million—the high bid—for 5,120 acres, the first tract leased.

Much is now known about shale oil and the relatively simple, but expensive, way to get it. Nine years ago, Mr. Dole's Colony Group opened a prototype shale mine and a 1,000-ton-per-day shale retorting facility on privately owned land in Colorado. Techniques are now ready for larger application. Within a few

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Energy Sources of Tomorrow *continued*

weeks, construction is due to start on a \$265-million, 50,000-barrel-per-day plant at Parachute Creek near Rifle, Colo.

Within four years Colony expects to be producing oil which will be particularly clean and free of sulfur.

Lessees of government-owned lands are expected to build other plants, at a cost of billions of dollars, in the next four or five years.

To take oil from the rock—it's a

marlstone—900 degrees of heat and vast quantities of water are needed. Ecologists' fears that mountains of processed shale, piled high and unsightly, will be an inevitable by-product of shale development are unfounded, developers say. They have completed agricultural tests, they claim, proving the land is restorable.

Says Secretary Morton: "We have developed rigorous and comprehensive environmental controls. Poten-

tial benefits outweigh unavoidable costs and risks."

TAR SANDS

Large as shale oil reserves are, they aren't as large as oil reserves along a 118-mile stretch of the Athabasca River, 250 miles north of Edmonton, in Canada's province of Alberta. Educated estimates are that more oil—somewhere between 600 billion and 800 billion barrels—is there than in the Middle East.

The big difference is that Athabasca oil is mixed with sand and dirt and is expensive to extract.

Technology to extract a sizable portion of these tar sand reserves exists now, and research into new technology is planned. In fact, substantial quantities of oil have been taken from tar sands already. Most of the money and work have been supplied by Canadian subsidiaries of Sun, Exxon, Gulf, Atlantic Richfield, Shell and Cities Service.

Alberta is anxious for the tar sands, covering 30,000 square miles, to produce oceans of oil for sale in Canada and the United States. As in the case of shale oil, extraction costs have stood in the way of tar sand development, but that is no longer true.

Great Canadian Oil Sands Ltd., a subsidiary of Sun Oil, has, since 1967, built up daily production to 49,000 barrels at a small plant. Financial outlays were extensive, but recently loss ratios have dropped considerably. This spring a second major firm—Syncrude Canada Ltd., which was formed by several U.S. companies—will begin construction of a 125,000-barrel-a-day mining and extraction plant. Its expenditures, including those on necessary pipelines, will top \$1 billion.

Shell Oil has asked permission to build a third plant.

Some tar sands are far underground, but others are just below the surface. In the latter case, the cover layer is removed, and the tar sand is scooped up and carried to extraction sites. There, hot water and steam form a slurry, with bitumen rising to the top to be skimmed off and sent into upgrading processes. In the Syncrude operation, the resulting naphtha, light gas oil and heavy gas oil will be blended, piped to Edmonton




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and refined. F.K. Spragins, Syncrude president, says frankly that "the tar sands are an expensive place in which to produce oil," and that his company's product "is not going to be cheap oil."

To which can be added: Nowhere in the world is oil now cheap.

COAL

If there is one energy source that America is particularly blessed with, it's coal. According to various estimates, we have from 400 to 600 years' supply based on the present consumption rate. That rate is on a rapidly rising curve as America turns to coal—not solely for more of the furnace-boiler kind of heat and energy production, but in the expectation it will produce oil and gas.

Coal gasification may evoke memories of the gaslight era, but a major difference is that modern coal gas is of higher quality than the lighting gas of long ago.

The coal is placed in a closed retort—a steel chamber—and heated. Oxygen is pumped through, and burnable gas is the result. Unfortunately, the oxygen is costly and full-size gasification plants cost a half-billion dollars each. Upwards of five years are needed to erect a major plant and get it into production.

Two companies deeply involved in gasification are Texas Eastern Transmission and El Paso Natural Gas. Also, there's a large demonstration plant, partially operated with American money, in Westfield, Scotland. The major thrust of research is to improve the Lurgi process, developed in Germany during World War II. This process makes low BTU (British thermal unit) gas which must sometimes be mixed with high BTU gas for efficient usage.

The National Coal Association says that, under a crash program, large quantities of high BTU gas could be available by 1977—three years sooner than the present pace indicates. If this comes about, it will be largely credited to work at two pilot plants—the Chicago HYGAS plant which has consistently converted small quantities of coal to high BTU, pipeline quality gas, and a plant at Rapid City, S. Dak., which has with comparable success converted small

quantities of char to a synthetic gas.

Liquefaction is not as far along as gasification, but still a Navy destroyer, the *U.S.S. Johnston*, recently cruised off the Delaware Bay Capes burning a thick, tarry-smelling oil derived from coal.

Oil is taken from coal in liquid form through a complicated process. A pilot plant is to be reactivated in West Virginia after standing idle for several years, and there is another small plant at Princeton, N.J. Both government and coal company money are involved in research.

Research is under way on still another method of using coal, which hasn't drawn much attention, but which the National Coal Association calls "a hot item—it might be very big."

Broadly speaking, the process entails dissolving coal in a coal-derived solvent called anthracene. Hydrogen under pressure is applied, and when the coal is soupy, ash and sulfur are removed. Then the coal—looking something like asphalt—is reconstituted. It will produce very hot fire

and it can be stored on the ground in the open air. It is easily transported.

There are pilot plants—five years are needed to build a full-size plant—in Washington State and Alabama. The process was developed by Pittsburgh & Midway Coal Mining Co., a subsidiary of Gulf Oil Corp.

THE WINDS AND TIDES

Windmills conjure up visions of Don Quixote and of Dutch landscapes. But they have been used as electricity generators in the past, and now they are being brought up to date. They may well be big suppliers of power someday. After all, though the winds may not be a constant source of energy, they certainly are a free one.

The National Science Foundation and National Aeronautics and Space Administration believe that in less than 30 years wind power can yield 1.5 trillion kilowatt-hours of electricity, the total amount used in the United States in 1970. The federal government has a five-year program

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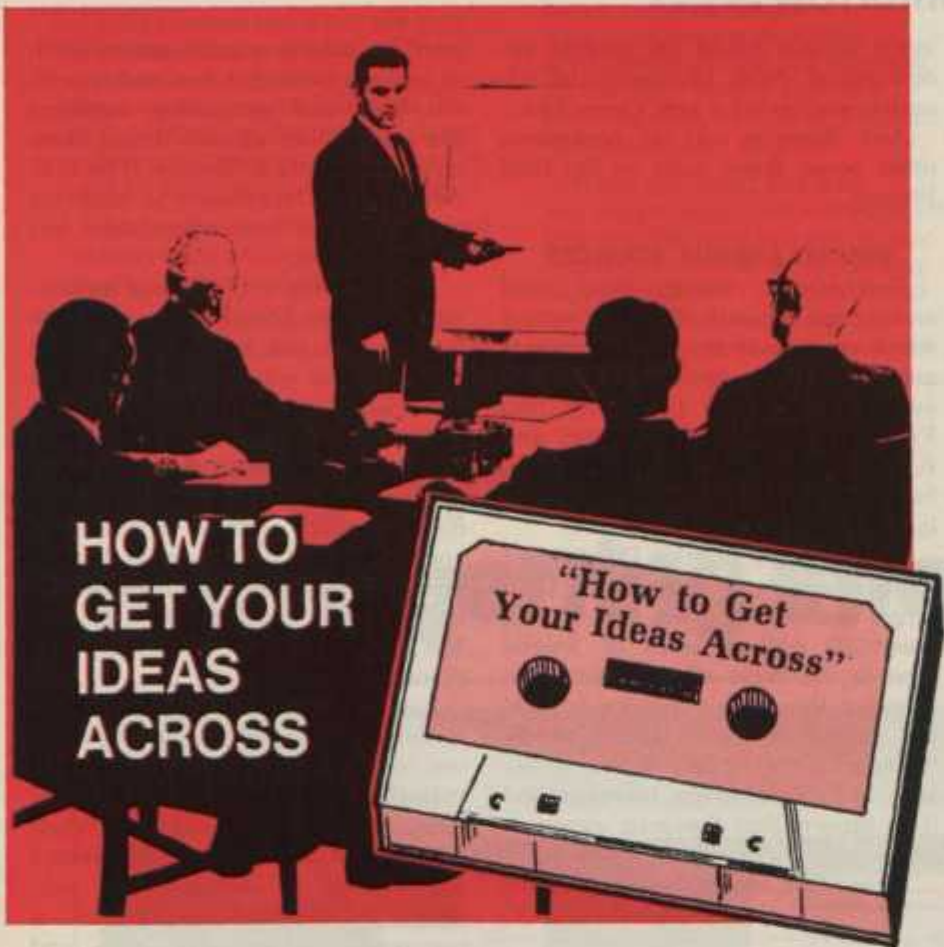
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Energy Sources of Tomorrow *continued*

to study and build windmills, and by mid-1975, a 100-kilowatt-capacity wind-operated power plant—capable of heating, cooling and lighting six homes—should be operating in Ohio.

Winds may also be harnessed in another manner. Wind-powered commercial ships belong to history, but they may also belong to the future. At the School of Naval Architecture at the University of Hamburg, in Germany, a fleet of modern four-masted clippers, called "Dyna-Ships," has been designed. Tests there show that winds on the North Atlantic will propel the ships at 20 knots—a speed well above that of the average freighter—72 per cent of the time. Such latter-day sailing vessels will have auxiliary engines for use in calms, and computers to trim sails to fit the wind.

Meanwhile, the old dream of harnessing the powerful tides of Passamaquoddy Bay, off the Bay of Fundy on the border between Maine and Canada's province of New Brunswick, has resurfaced. For 50 years this was a fond hope but in 1970 a

study project found the scheme uneconomical. Now, engineers and scientists are having a new, closer look.

And there is talk of harnessing other ocean flows, such as the Gulf Stream.

MISCELLANEOUS SOURCES

Geothermal energy—heat and steam from beneath the earth's crust which emerges in the form of geysers and other hot springs—has been tapped for electric power for San Francisco, Calif., Boise, Idaho, and Klamath Falls, Oregon, and it has long been used in Italy, New Zealand, Japan and Russia.

Recently, the Interior Department invited bids for leasing three California geothermal areas, and it said about 50 million acres of federal land in the West offer potential for bringing the earth's interior heat to the surface to serve human needs. Technology for doing so on a big scale is far from ready, however, and it is known that fantastic expenses are involved.

Meanwhile, studies are moving for-

ward on taking organic matter such as sewage, putting it in a cooker with enzymes, and generating methane gas—something already being done on a small scale in Europe. The U.S. Agriculture Department is studying use of manure from animal feed lots to produce gas.

In El Cajon, a California community near San Diego, a plant is to be built which it's hoped will reduce 1,000 tons of solid waste daily to a liquid organic fuel.

At the same time, interest has been sparked by the possibilities of creating energy with solid waste more conventionally—mixing it with coal and burning it, with steam that is produced running generators. Union Electric Co. is doing this in St. Louis, Mo., and similar operations are planned elsewhere.

Last but far from least, there is thermonuclear fusion, which would use as major fuels deuterium and tritium, two forms of hydrogen—of which there is no shortage. When millions of degrees of temperature are applied to deuterium—a substance in seawater—and tritium—a man-made isotope—they fuse and produce helium atoms, releasing vast quantities of energy.

And that isn't all. There are other alternative sources of energy, too. Scientists, for example, talk of harnessing the oceans' thermal gradients—temperature differences between surface and subsurface waters.

Source after source awaits development, as does something that Richard J. Green, acting director of the National Science Foundation's advanced energy research and technical division, notes is vitally needed—better transmission systems so that energy plants of different kinds can be located far from the people. They could be offshore, perhaps, or in lonely areas of the country.

With Western man's great ability to concentrate his capacities when concentrate he must, a number of sky-blue-yonder energy sources may someday be in mass use.

Just now, the trick is to build a head of steam behind the most attractive of these alternatives, to concentrate on them and to radically reduce the time span between conception and production. **END**

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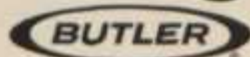
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The Power Companies' Other Crisis

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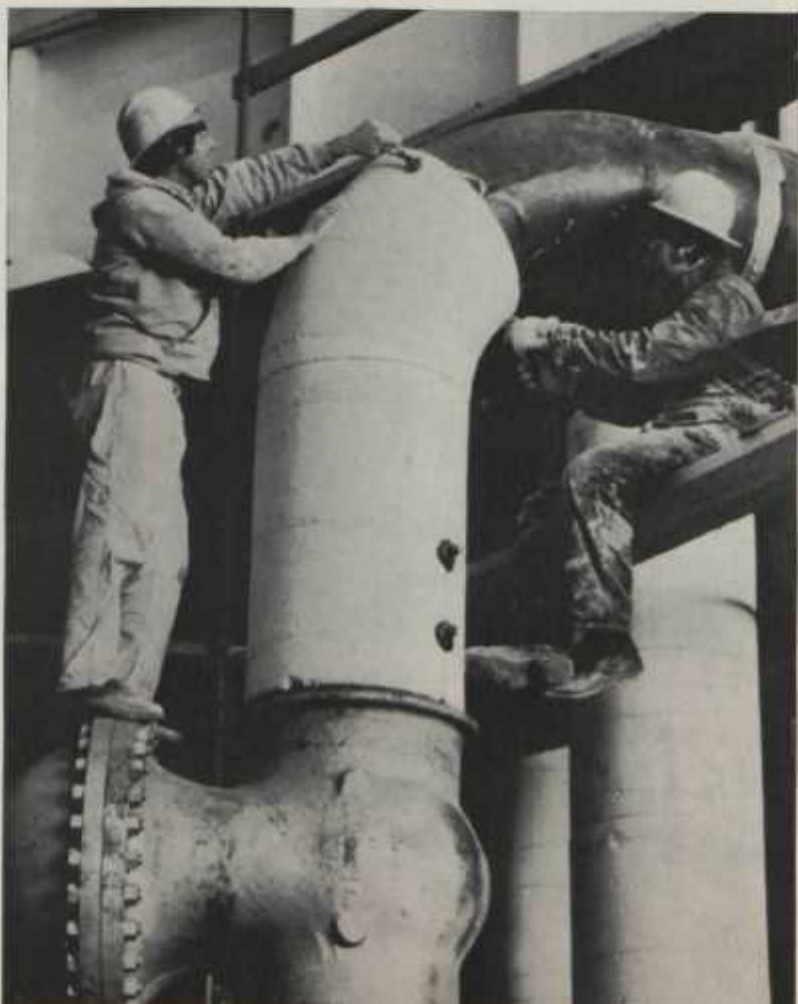


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July sent 2-1-74

Electric utilities in many areas across the nation are locked in a bitter struggle with the energy crisis this winter.

Both in metropolitan centers and rural regions, they are fighting to keep homes lighted, schools open, factories and offices functioning. Steps are being taken to avoid enforced brownouts in the face of anticipated fuel shortages.

Whether the power industry wins or loses this battle depends largely on such imponderables as the mean winter temperature in Keokuk, the ability of coal mines to meet increased production demand, and the disposition of King Faisal of Saudi Arabia toward U.S. policy in the Middle East.

However, one element that affects the energy crisis could well prove as serious and challenging for the future as any combination of current problems—the power companies' ability to raise capital.

William G. Meese, president of the Detroit Edison Co., has seen this problem looming for some time.

"Even before the present fuel crunch, investor-owned electric utilities, which account for more than 78 per cent of America's total electric output, were facing the most difficult period of their history," he says.

"Skyrocketing demand has pushed U.S. output to more than 1,850 billion kilowatt hours in the past year—nearly seven times as much as 25 years ago. In each of the past two decades the power industry doubled its generating capacity, and to keep pace with demand we may be forced to double it again in the 1970s."

To expand on this magnitude takes money—billions of dollars each year in so capital-intensive an industry. The Chase Manhattan Bank estimates that between now and 1978 the industry will require a staggering \$70 billion in outside capital. By

1985, the annual requirement may reach \$40 billion and perhaps more.

Where will these huge sums come from?

Fiscal experts agree that the industry must rely most heavily on traditional sources of capital input—financing through common and preferred stocks, bond issues, bank loans and commercial paper.

A fly in the ointment

There is, however, a fly in that ointment. To attract investments and obtain loans in an increasingly tight capital market, electric utilities must repeatedly prove their profitability.

But "regulatory lag"—the gap between the time when they apply for rate increases and when the increases are actually granted—makes it difficult for many companies to nail down future profits.

Until now only a few companies have been forced to delay expansion programs because of inability to obtain investment capital for new plant and equipment. But if this condition becomes endemic, the reverberations

will be felt throughout the economy.

Electric power is the underlying foundation upon which America's mighty industrial base has been built. Today, the U.S. produces as much electricity as the next four countries combined—Russia, Japan, the United Kingdom and West Germany.

"To maintain our industrial leadership, the public and its elected representatives in government at all levels must soon adopt a whole new approach to the investor-owned power industry," says Mr. Meese.

"For too many years local, state and federal governments have regarded the industry as a goose that could keep laying golden eggs indefinitely. If the energy crisis proves nothing else this winter, it may show that even an electric goose must be kept healthy if it is to keep producing."

Anyone who has bought or built a home in the last few years can appreciate what electric utilities are facing. Soaring costs keep inflating home prices, and the stiff competition for mortgage money has sent

MONEY THAT HAS POWERED AN INDUSTRY

The figures below (in millions of dollars) from the Edison Electric Institute show a dramatic 10-year increase in power companies' expenditures on construction in the 48 contiguous states. The 1973 total, not yet available, is expected to be about \$15 billion.

| Year | Total | Production | Transmission | Distribution | Other |
|------|----------|------------|--------------|--------------|-------|
| 1972 | \$13,385 | \$7,931 | \$1,748 | \$3,073 | \$633 |
| 1971 | 11,894 | 6,702 | 1,806 | 2,774 | 612 |
| 1970 | 10,145 | 5,430 | 1,680 | 2,613 | 422 |
| 1969 | 8,294 | 3,992 | 1,554 | 2,421 | 327 |
| 1968 | 7,140 | 3,189 | 1,503 | 2,134 | 314 |
| 1967 | 6,120 | 2,553 | 1,323 | 1,977 | 267 |
| 1966 | 4,932 | 1,788 | 1,137 | 1,770 | 237 |
| 1965 | 4,027 | 1,300 | 940 | 1,585 | 202 |
| 1964 | 3,551 | 1,114 | 824 | 1,424 | 189 |
| 1963 | 3,319 | 1,165 | 644 | 1,323 | 187 |

Construction is one of the names of the game in the utility industry, and what must be built doesn't come cheap. The top picture at left is a fish-eye view from inside a water-cooling tower that Pittsburgh's Duquesne Light Co. is building for a nuclear plant that will serve a power pool for five cities' utilities. Plant cost: above \$400 million. Below, in a scene duplicated at many power plant construction sites, steam pipes are insulated.

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The Power Companies' Other Crisis *continued*

interest rates way up, too. Many people have been forced to settle for smaller homes than they would like and in some cases they've had to postpone the realization of their dream of owning a home at all.

Electric companies find themselves in much the same kind of fix. As Bill Meese points out: "All industry is engaged in a mad scramble for available capital today and power companies—with their rates controlled by law—must compete for investors' dollars with corporations that have no restriction on what kind of return they can pay the investor."

A half-dozen years ago, the interest on money borrowed by public utilities was a fraction above 6 per cent. Currently, they must pay about one third more for new money at a time when their capital requirements have been accelerating tremendously.

Fading blue chips

Unlike other corporations, electric utilities cannot as a rule branch out into other businesses. But they can expand—provided funds can be found in sufficient quantities. And that depends on investors' being convinced that utility stocks and bonds remain a good, solid bet. Will they be convinced? Utility stocks were long known as the bluest of the blue chips. Recently, however, many of them have begun to fade.

Fortunately, utility officials feel, a number of steps can be taken to pump new life into the power industry and enable electric companies to attract money needed for expansion:

- First, public utility commissions can follow the example of California and other states in acting more promptly to end regulatory lag. In many states new rates are still based on "test years" that have already gone by the board after months of deliberation. Consequently, rates don't always catch up with the inflationary pressures on costs.
- Second, rate increases which some utility experts believe should average 5 to 10 per cent annually can be granted for a period of years to keep the power industry's fiscal head above water.
- Third, electric utilities must be permitted a rate of return that will

be attractive to investors. In a fluid capital market, utilities have increasing problems in competing for funds needed for expansion.

- Fourth, swifter action in gaining governmental approvals for new generating plants is vital to the continued financial health of power companies. Lengthy delays have cost the industry—and the consumer—billions of dollars and seriously impeded plans to offset the energy crisis.

- Fifth, local, state and federal governments should take a new and more realistic look at the huge tax bills they slap on investor-owned electric utilities.

Tax collectors by proxy

Government at all levels has been using the power companies as handy tax collectors for many years. It is tacitly understood that taxes on utilities will be compensated for in the rates they are permitted to charge.

"Taxes are a legitimate business expense and must be included in the price that the customer pays," says George I. Bloom, chairman of the Pennsylvania Public Utility Commission.

Unfortunately, the tax take, in terms of dollar volume, keeps rising. Frequently, when utilities are granted rate increases, more than half of the new income goes to taxes.

Next to fuel, taxes now represent the highest cost in the power industry's operating budget. Last year, investor-owned electric utilities had a tax bill of over \$4 billion—more than 17 per cent of the industry's total annual revenue.

Taxes squeezed a whopping \$57 billion from the electric companies in just 25 years—a sum equal to almost half their total investment in plant and equipment. Today, the utilities' taxes are six times what they were in 1948. Obviously, the United States today could produce far more electricity if tax money had been converted into new generating facilities.

By now it would seem apparent that the practice of unreasonably forcing utilities to act as tax collectors is self-defeating, not only for the companies but for the communities they serve.

The power industry has spear-

headed America's growth all through the 20th Century. Officials of investor-owned electric utilities feel their companies can continue to supply a major share of the nation's energy requirements provided fuel problems are solved and action is taken—now—on the five steps outlined above.

Or else

The alternatives can be summed up succinctly:

1. A slowdown in expansion of electric power capacity with the possibility of a truly critical shortage to follow.
2. Electric utilities incurring unhealthy capitalization ratios that add to the difficulty of raising capital and inevitably bring higher rates to consumers.
3. The growing threat of absorption of investor-owned utilities by government-operated public power systems.

Undoubtedly, the public will reject the first alternative—a slowdown in expansion—particularly if it clearly understands the potential impact upon the economy.

The second alternative, unhealthy capitalization, could well be followed by the third—eventual government ownership, which has hardly proven to be a panacea for power problems either in those areas of the U.S. where it has been tried or in other parts of the world.

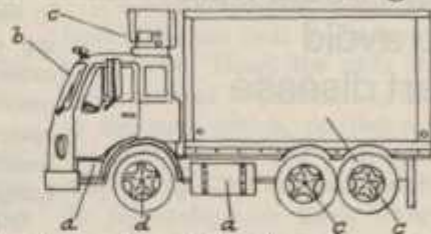
Some power industry officials refuse to believe the government would want to inherit their headaches. But the country has the example of the Penn Central and other railroads staring it starkly in the face.

Fortunately, investor-owned electric companies are in a much healthier financial condition than the Penn Central was before its collapse. And in spite of the many problems, 1974 could well mark the beginning of a new era for the private power industry.

If decisive action is taken this year, industry experts are confident that electric utilities—operating within America's free enterprise system—will help see the nation through the present energy crisis and continue to meet its electrical needs in the years ahead. —WILLIAM J. GILL

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Why Not Go on Living?

Some simple steps could help you avoid heart disease

As a member of the Continental Can Co. board, I often find my fellow directors raising questions about a subject in which I have a special interest—proper diet and exercise as a way to prevent or postpone coronary disease.

Businessmen everywhere seem to want to know more about this vital matter.

That growth of concern has been one of the important developments in my field since my views on avoiding coronary disease, our principal cause of death, were outlined in an interview in the December, 1967, issue of NATION'S BUSINESS headlined: "How to Live Five Years Longer."

Other developments since then have been a heightened interest by the medical profession in preventive heart care, and by the federal government in preventive medicine and

public health generally, as witness the recent passage of legislation to establish Health Maintenance Organizations.

Those of you who heeded my advice in the previous article, and are reading this, obviously have lived even more than five years longer. Now, I ask: Why not go on living? I urge that you continue the program of diet and exercise suggested in that earlier article, and that you use this one as a review.

Too often, people don't do something about warding off heart disease until it kills someone close to them, or they themselves suffer—but survive—a coronary attack, real or imagined.

Many factors enter into coronary disease. They include heredity, consistently high blood pressure (and it doesn't have to be too high); elevated blood cholesterol and/or triglycerides (fats), cigaret smoking, obesity, diabetes, lethargy or lack of moderate physical activity and possibly what is referred to as "stress."

What can we do to lessen the number or diminish the intensity of these "risk factors?"

Well, we don't know yet how to influence the hereditary aspect.

But most cases of high blood pressure can be well treated by various drugs. It is important for this treatment to begin early; therefore, it's highly desirable to have blood pressure measured at least annually to age 50 and twice a year after that. [See "Sound Advice for Any Executive: Keep Your Blood Pressure Down," NATION'S BUSINESS, October, 1973].

You can stop smoking cigarets.

And then there are the important matters of diet and exercise.

What to eat

The key to healthful eating lies in a variety of foods, and in not eating too much of any.

Remember, no single food contains

FREDRICK J. STARE, M.D., author of this article, is professor of nutrition and chairman of the Department of Nutrition at the Harvard University School of Public Health. He writes a syndicated newspaper column, as well as books, on health matters.

The author, who is 63, keeps fit and trim following the regimen he prescribes for others—proper diet and exercise. He's shown (left) when he first counseled Nation's Business readers in 1967 on how to avoid heart disease and (right) in the same office recently.



all of the 50 or so known nutrients. Foods are divided among what nutritionists call the basic four food groups:

- Meats, poultry, fish and eggs, all superior sources of protein.
- Milk and dairy products, including low-fat milk, cheese, yogurt and ice cream.
- Fruits and vegetables.
- Cereals, including such cereal grain products as flour, bread, noodles, breakfast cereals, etc.

Variety within each of these basic groups is also important. For example, don't limit yourself to orange juice but vary it with other fruit and vegetable juices.

Above all, don't eat so much, and be sure it's less than you did when you were younger and more active. Eating smaller portions is the way to do this, and you should seldom have seconds.

The usual wares of health food stores and food faddists are certainly not necessary for improved health. You hear a lot about so-called health foods—organically grown foods, mineral or vitamin supplements, extra lecithin, extra vitamin E, and megadoses of vitamins.

Similar foods purchased in any supermarket or corner grocery store are equally good for your health and usually much less expensive. And extra lecithin and vitamin E, and huge doses of any of the vitamins, are certainly not helpful.

Two other risk factors in coronary disease are obesity and cholesterol. Let's look at them:

• **Obesity.** You become overweight simply by consuming too many calories and not expending enough in muscular activity, the only way we can use up extra calories.

Those calories are not only provided by food—fat, carbohydrate and protein—but also by alcoholic beverages.

Two average cocktails contain about the same number of calories as a piece of pie. And who ordinarily has two pieces of pie with a meal? Take your choice—cocktails or dessert, but not both.

Remember also that food and drink taken between meals and before bedtime can become a major source of calories. Calories are calo-

ries, whether from meats or martinis or whether consumed at noon or midnight! Another major consideration here is that a number of recent studies have shown that much obesity is the result not of unusually large quantities of food, but excessive inactivity—too much sitting and reclining, and too much use of autos instead of our legs to get around.

• **Cholesterol.** As a general rule, your blood cholesterol level is going up if you are gaining weight, and going down if you are losing it.

The level can almost always be lowered about 15 per cent by diet manipulation.

Of initial importance, particularly if you're obese, is a modest decrease in weight by reducing caloric intake and increasing exercise.

Second, the intake of saturated fat should be cut in half. That means, primarily, eating less meat and mak-

ing sure that what meat you do eat is lean. Substitute poultry or fish for some meat dishes and replace butter with a polyunsaturated margarine. Also, low-fat milk, cheeses and ice creams or sherbets should be used instead of those higher in fat content.

A reduction in saturated fat is important because saturated fat is the favorite building material of the several body tissues that make cholesterol.

It is also important to cut down on foods that are rich in cholesterol to begin with. Here, the only item of any practical importance is the yolk of the egg—which, on the average, contains about 250 milligrams of cholesterol. That compares with 60 to 70 milligrams in three ounces of meat or fish, 25 in a glass of whole milk and 12 in a pat of butter!

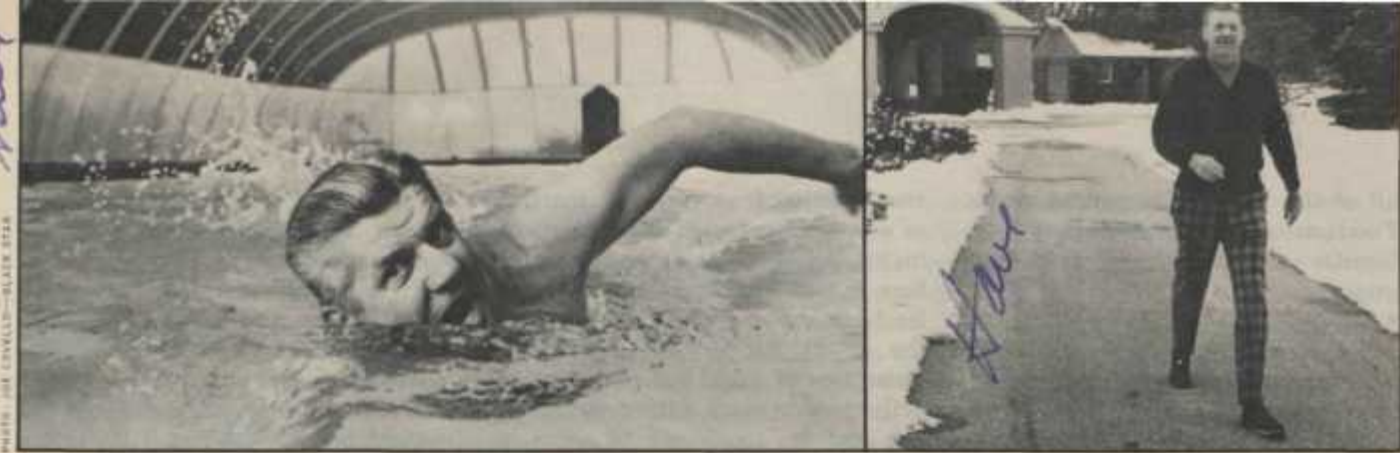
Between 80 and 90 per cent of American males should be interested

PHOTO: JAMES COYNE—BLACK STAR



Paul C. Cabot, 75, still frequently plays tennis (right) as he did (left) when he was pictured in the earlier article as an example of how important exercise is in adding years to businessmen's lives. He heads a large Boston mutual fund, State Street Investment Corp.

Mag. art 2-1-74
Haw



Paul Kaiser, 57, president and board chairman of Tasty Baking Co., Philadelphia, has—as an energy-saving measure in this time of shortage—closed the heated pool in which he was shown in the 1967 article giving Dr. Stare's views on executive health, and now takes one-hour, four-mile daily walks near his home. But he prefers swimming, and will be back at it in warmer weather. He likes to ponder business plans during the exercise hour, he reports.

Why Not Go on Living? *continued*

in lowering their blood cholesterol and should limit themselves to two or three egg yolks a week. Other foods generous in cholesterol are not as frequently eaten as eggs. They include calf brains, sweetbreads, liver, kidney and shellfish.

(The cholesterol level doesn't become a problem for women until after menopause, and even then coronary disease is not as much of a threat to women as it is to men.)

Another suggestion is to completely forgo something else at the table.

- **Salt.** Most of us use 15 to 20 times as much salt as we need, a habit left over from childhood when our mothers salted our food to *their* taste. Extra sodium, a constituent of salt, holds extra water in body tissues.

This is of no particular harm in moderate amounts, although it does cause the weight scale to register higher than if that water were not there. But there are suspicions that extra sodium may be a causative factor in the common garden variety of hypertension. In most people who have hypertension, a reduction in blood pressure is usually brought about by drastically reducing sodium intake, and this means—mainly—no more salt at the table.

How to exercise

Realizing that a lack of moderate physical activity is one of the factors in courting heart disease, the prescription is an obvious one—exercise.

Taking one or two brisk, 15-minute walks a day, if they are in addition to your usual physical activity, is a simple way of exercising. Of course,

tennis, swimming and jogging are good sports, but cruising over a golf course in an electric cart is not much of a way to burn off calories and improve your physical well-being. A little huffing and puffing exercise a few times a week is good for us.

Jogging, incidentally, has become very popular as a form of exercise in the years since that earlier article appeared. But it should be taken up carefully. A man who throws himself into it suddenly, trying to jog one or two miles a day, could be on a very dangerous course.

Before embarking on any such program, consult your physician about your physical fitness plans. He will check you over and if he finds, for example, that you have high blood pressure or an enlarged heart, he will start proper treatment and suggest other forms of activity.

The best way to get into jogging on a steady basis is gradually. Walk a mile at a reasonably good clip on a Saturday and again on Sunday. Arrange to get in a daily walk during the week. Stretch it to two miles the following weekend, increasing your pace gradually over a month until you are jogging.

Additional points about a health program should be made:

- **Cigaretts.** Smoking cigarettes is not, in my opinion, a health-promoting habit. There is proof that it causes lung cancer and aggravates bronchitis and emphysema. While there is, to my knowledge, no evidence that it is a cause of coronary disease, there is abundant evidence of an association between the two. That sim-

ply means that people who smoke cigarettes are more likely to develop heart disease than those who do not. Interestingly, this association disappears rapidly, within one or two months, once one stops smoking.

- **Fluoridation.** In the interests of our children and grandchildren as well as ourselves, we should insist that our communities fluoridate their water supplies if they have not already done so.

Most of us think of fluoride in terms of reducing tooth decay in children, and that was its principal role originally. But recent research has shown that it also strengthens bones—and anything that reduces chances of breaking a hip as we grow older is an important consideration.

Among the bones fluoride strengthens is the inner-ear bone important in hearing, and this chemical is used to treat some types of hearing loss. Also, there are indications that it may lessen the deposit of calcium in blood vessel walls, and thereby reduce hardening of the arteries.

Less tooth decay at your age is not going to help you live longer, but stronger bones and less hardening of the arteries will, and better hearing will make those extra years more enjoyable. **END**

REPRINTS of "Why Not Go on Living?" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

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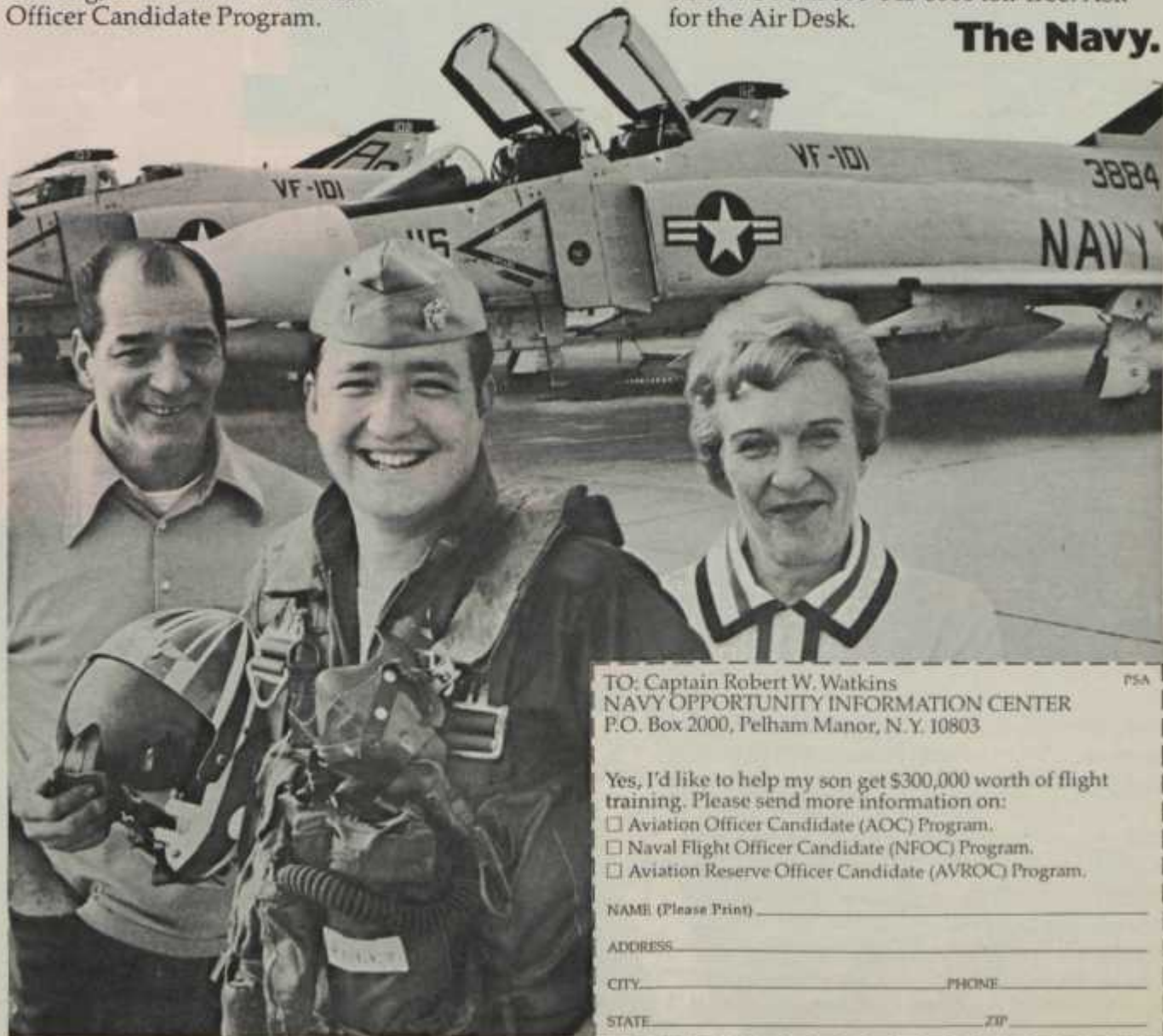
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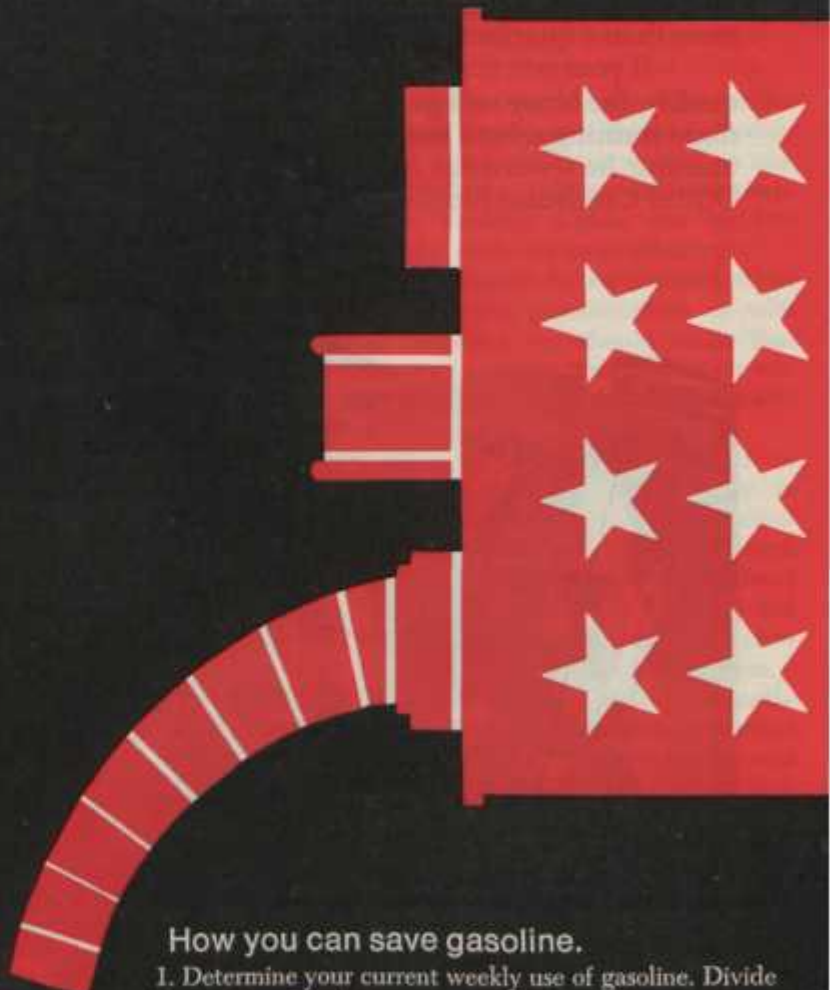
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Save, A



Save 25%

Unless we conserve gasoline on a voluntary basis, we're going to have compulsory rationing. Which most people want to avoid.

The better gasoline-saving option is a voluntary effort. A pitch-in-together, national effort. An effort that's very possible.

But it doesn't mean just driving a few miles an hour more slowly.

And not just walking a little more often.

And not just setting up a car pool of three people in a station wagon that holds six.

It does mean a national effort by every American and every American business to slash gasoline consumption by 25%.

How? Take a look at the lists and you'll get a few practical examples.

How you can save gasoline.

1. Determine your current weekly use of gasoline. Divide that by four. That's how many gallons you'll want to save each week.
2. Don't drive two days a week. Take mass transit. Or if you must drive don't go it alone. Set up a car pool. If you already have one, enlarge it.
3. Drive efficiently. Slow down. Cut sudden starts and stops. And try not to idle for more than three minutes.
4. Make sure your car is in top mechanical shape. Have your engine tuned and have it retuned regularly.
5. Make sure your tires are properly inflated.
6. Cut down on "family business trips." Plan your trips. Consolidate lots of errands into one trip.
7. When possible, use the phone to conduct family business.
8. Use your imagination. Devise your own plan to save 25%.

merica.



How your business can save gasoline.

1. Determine your current weekly use of gasoline. Divide that by four. That's how many gallons you'll want to save each week.
2. Reduce your use of fleet vehicles by 25%.
3. Get in a car pool yourself and encourage your employees to do the same. Computers are a big help in setting up a large company's car pool system. Some banks and other firms are donating computer time. Ask.
4. Make sure your vehicles run efficiently. Get them tuned and keep them tuned. Make sure all the tires are properly inflated.
5. Make sure your vehicles are slowing down. And not making sudden stops and starts. And not idling for a long time.
6. Conduct as much business as possible by phone. Personal contact is essential. But your customers will appreciate your trying to save gas. It's their gas, too.

7. Try to cut down on wholesale and retail deliveries. Encourage your customers to take packages with them. Delivery is an essential service. But these days it can be a luxury.
8. Use your imagination. Devise your own plan to save 25%. Involve your employees in your firm's efforts.
9. Help your community and industry to do their part. Cooperate with your local and state chamber of commerce and your trade and professional association in implementing this campaign.

Any or all of these steps can help conserve gasoline. But we all have to start now.

While we still have it to save.

Save, America. Save 25%

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In New Mexico, we approach the job of economic development a little differently than other states. We're low pressure and tell you right off about things we don't have. We don't have the vast economic resources of the giants back east. Neither do we have the cherished traditions of the south. Compared to the explosive west coast, we're still pioneers. We admit to being underdeveloped.

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means our development staff could render all the details required to help you know this state and what you can expect from it. Factual stuff about taxes, transportation, community support, communication and labor force. But don't expect high pressure superlatives and don't anticipate rounds of well intentioned hospitality to dull your senses. We tell it like it is. If you belong in New Mexico, you wouldn't have it any other way.

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panorama of the nation's business

By VERNON LOUVIERE
Associate Editor

Radio Station Has Some Unusual Fans

*Elected Silence, sing to me
And beat upon my whorled ear,
Pipe me to pastures still and be
The music that I care to hear.*

—The Habit of Perfection
Gerard Manley Hopkins (1844-1889)

For the past five years more than a million cattle moving through the Swift & Co. plant at Tolleson, Ariz., have been calmed by the soothing sounds of music.

"The idea of keeping cattle calm with music isn't new—farmers have been singing to their animals as long as anyone can remember," says plant manager Thomas Rohr. "It's just never been done on quite such a grand scale before."

Loudspeakers tuned in to a local round-the-clock FM station beam music throughout the plant as well as in the outdoor holding pens. But the cattle also get a sprinkling of news,

weather reports, commercials and sports. The results are interesting.

"While we have made no scientific studies to bear this out, it's quite apparent the cattle prefer classical, semiclassical and pop music, in that order," Mr. Rohr reports. "And they definitely don't like hard rock, vocals and especially opera. These seem to go against the calming process."

Nervousness among cattle causes them to bruise their prized carcasses in their pens. Piping music to them is a substitute for the traditional old range songs to calm them down.

"It's worked like a charm; it has actually cut the amount of bruising by at least 50 per cent," Mr. Rohr says. "It makes for happier cattle and better meat, even if it doesn't exactly turn out bovine culture buffs."

He explains that the cattle are calmer because "the music and voices tell them someone always is nearby."

The Swift cattle obviously prefer



These Swift & Co. cattle can't distinguish between Beethoven and Bach but they enjoy the soothing sounds of classical music.

music to voices, and among the voices they prefer women's to men's.

How, do you suppose, would they react to Howard Cosell and Monday night football? •

A New Service From Service Managers

The old familiar banquet circuit has a new breed of speakers—a broad range of product service executives who have volunteered to tell business and consumer audiences what they can properly expect from service.

These speakers, sponsored by the National Association of Service Managers, "can tell you what part product service plays in the American economy or, depending on your interest, how to shop for a good place to get your washing machine fixed," says Marvin Lurie, NASM executive director.

"They can suggest ways to get effective service departments organized in your industry or reveal some of their funny experiences with service customers."

NASM has issued an 18-page booklet giving information on each speaker's product line, the areas of the country to which he will travel, his availability, the subjects he will discuss and whether his travel expenses should be paid.

Copies are available from NASM, 6650 Northwest Highway, Chicago, Ill. 60631.

The speakers represent such companies as Montgomery Ward, Bell & Howell, Polaroid, Whirlpool, Honeywell and Stewart-Warner.

"You may never meet a product service executive who doesn't sincerely believe that his job is to provide you with the maximum use from the products you buy from his company . . . to produce satisfied customers," Mr. Lurie says in a preface in the booklet.

"You could have difficulty accepting that statement, if you have had

bad experiences getting service for your products or if the stories you've heard about poor service have convinced you.

"But it is, in fact, true. So this is a book for nonbelievers."

Subjects the speakers are prepared to discuss include "The Role of Service in the Economy," "How to Get Good Service," "Manufacturers' vs. Consumers' Viewpoint," "Profit—the Success of Service," "Helping Corporate Groups Understand the Needs of Their Own Service Groups," "Consumer Product Safety Act," and "Consumerism, Environmental Concern and Equal Opportunity: Friends or Foes?"

Sometimes, the subject is more personal.

One, for example, is: "Would You Want Your Daughter to Marry a Serviceman?" •

continued on next page

Computerizing Calls for Police

Huntington Beach, Calif., not only is luring business enterprises with all the usual come-settle-here attractions but also with one big extra thrown in—a steadily lessening crime problem.

The Orange County community has installed what is described as the world's most advanced communications system for public safety. It's done with computers.

Every police patrol car is equipped with a readout teleprinter which flashes messages to it. The time required for a police dispatcher to get a message across, and for the patrol car to be on its way, has been slashed 90 per cent, it's estimated, because the teleprinter is faster than voice and the officer receiving the message doesn't have to stop to write things down.

But the system, designed by Motorola Communications and Electronics, Inc., does more than that. The computer, in a mere three seconds, verifies the address where police help is sought and lists known police and fire hazards in the area.

This sophisticated approach to crime-fighting is particularly helpful

to business establishments whose burglar alarm systems are tied in with police headquarters. When the alarm is tripped, the police dispatcher, with the touch of a button, can call up a visual display map showing all escape routes in the burglarized building, as well as the location of safes and vaults. Additionally, a special audio-monitoring system picks up all noises in the building, further helping police to nab the culprits.

Another advantage: Although the police and fire departments maintain separate dispatching facilities, both departments are tied in to the control system. So a phone call to either will bring swift action to thwart crime or fight fire, depending on the need.

Noting that Huntington Beach's population has doubled in less than

10 years, Mayor Jerry A. Matney says:

"We were faced with a huge need for increased police and fire protection, as well as numerous other services, but without an adequate tax base. Businessmen seeking new sites naturally consider such protection when making decisions as to where to locate."

George W. Lusk, project manager of the \$40-million, 350-acre Huntington Beach Industrial Park, calls the public safety system "the finest." He adds:

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Does Life Really Begin at 65?

When the Bemis Co. of Minneapolis set out to discover what its retirees were doing, it found the old rocking chair well out of the picture.

For the 200 retirees who answered a questionnaire, ideal retirement means staying active—traveling, starting a second career, gardening, fishing and engaging in community action programs.

According to *Bemistory*, the company house organ, these findings should dispel common myths about retirement: That people who have ended their working careers necessarily lead empty lives and that they are in a time of life to be dreaded.

"The first truth is that people who have completed a full working career can and should be recognized as useful, contributing citizens with a great deal to offer their communities, friends and families," says Lisa Locken, editor of *Bemistory* and Bemis' employee communications director. "The second truth is that far from something to be feared, retirement from a full working career can and should be faced confidently as a challenge."

Comments by the 200 men and women retirees leave no doubt that remaining active is the key to successful retirement. The theme of "doing something useful and interesting" runs through their stories.

A typical comment is by Arnold Weeks, who retired as vice president

in 1961: "Retirement is very enjoyable and I wouldn't have missed it for anything." Or that of O. Spencer Brock, former plant engineer in Peoria, Ill., who says he hasn't been bored for a minute, adding: "In fact, there are times when I haven't time to do what I would like to do."

Editor Locken sums up: "No one says that the transition to retirement from many full working years is simple, but the people who tell their own stories . . . offer evidence that the adjustment can be happily made. Their new life-styles and activities prove that life after a working career can be both rewarding and exciting."

"People used to say that 'life begins at 40.' After reading this special edition, they might feel that it doesn't really start until 65." •

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LESSONS
OF
LEADERSHIP
PART CV

John W. Rollins of Rollins International

A farm boy who found many fields to conquer

John W. Rollins is into so many areas of life that the mind boggles.

As a teen-ager he ran his family's hardscrabble farm in north Georgia because his father had become a permanent invalid. Then, after a brief stint as a small entrepreneur, he worked as a laborer, dairy hand and boilermaker before becoming an ordinance inspector and then entering factory management.

Next, he went into business, first as an auto dealer, then as both a lessor of autos and trucks and a builder of radio stations. His business was fruitful, and it multiplied.

Today, at 57, John Rollins is board chairman of Rollins International, a Wilmington, Del., company concentrating on services to a large group of corporations.

The firm realizes some 90 per cent of its revenues, which now are above the \$170-million-a-year level, from three chief subsidiaries—Matlack, Inc., which specializes in bulk distribution and terminaling, hauling such liquid and dry bulk commodities as petroleum products, chemicals and cement; Rollins Leasing Corp., whose field is full-service leasing of heavy-

duty trucks coast-to-coast; and Rollins Environmental Services, which operates a network of regional plants where industrial wastes are taken (often in Matlack tank trailers) to be treated and neutralized.

The parent company also has smaller subsidiaries in a variety of other corporate service fields.

On top of that, Mr. Rollins is co-founder and chairman of the executive committee of another sizable company, Rollins, Inc., which is headed by his brother, O. Wayne Rollins, who is five years older than he. Rollins, Inc., specializes in the consumer needs area. Its operations range from pest extermination (it owns Orkin, Inc.) to outdoor advertising, radio and TV stations, and burglar alarm systems.

The stock he owns in these two multifaceted firms would, by itself, make John Rollins a very wealthy man. But there's more.

- He's an associate of Sen. Howard Baker (R-Tenn.) and others in the ownership of 40,000 acres in Tennessee, which the partnership is developing.
- He owns more than 6,000 acres in

Jamaica including some six miles of frontage on the north shore. There he has rebuilt and made a tourist attraction out of a Nineteenth Century manor that was the home of Annie Palmer, the "White Witch of Rose Hall," who killed three husbands and a slave lover, according to legend; he has built a 558-room resort Holiday Inn and—in partnership with Pan Am—is completing an Intercontinental Hotel of over 500 rooms; he has built homes and is constructing beachfront condominiums designed by Edward Durrell Stone Jr.

- With John Connally, the prominent Texas and national political figure, and others, he is planning extensive cattle raising operations in Jamaica to supply one of that Caribbean country's major needs.
- He has many private holdings in Delaware, including a race track.

John Rollins' questing mind and abundant energy have taken him into other areas, too. One of them: politics.

He served four years as Delaware's lieutenant governor and was the 1960 Republican candidate for governor, losing a close race (it was while re-

John W. Rollins

continued

laxing in Jamaica after that race that he became aware of opportunities there).

Today, he says he has no political aspirations other than to actively back candidates of his choice. "I think businessmen should participate," he says, adding that if they don't, "people with other philosophies will be making the decisions."

His many honors include the Horatio Alger Award and—in recognition of a tremendous achievement in self-education when he was younger—a citation in 1967 as the International Correspondence Schools' Home Study Man of the Year.

Mr. Rollins and his wife, Linda, live in an impressive Norman Tudor home on 12 acres in Greenville, Del., the Grosse Point of Wilmington. They have two young sons, Ted and Jeff, and Mr. Rollins has three children by a previous marriage, the oldest of whom, John Jr., 30, is president of Rollins Leasing Corp. The others, Pat and Cathy, are both recent college graduates.

Mrs. Rollins, a concert pianist who has two grand pianos in the living room, has managed to get her six-foot-three, 240-pound husband interested in the arts. The home is full of Eighteenth and Nineteenth Century English sporting paintings, mainly of horses and dogs, which Mr. Rollins has helped her collect.

But she has no reason to think her husband's primary interests will ever shift from the business world or politics.

What attribute has been most important to his success?

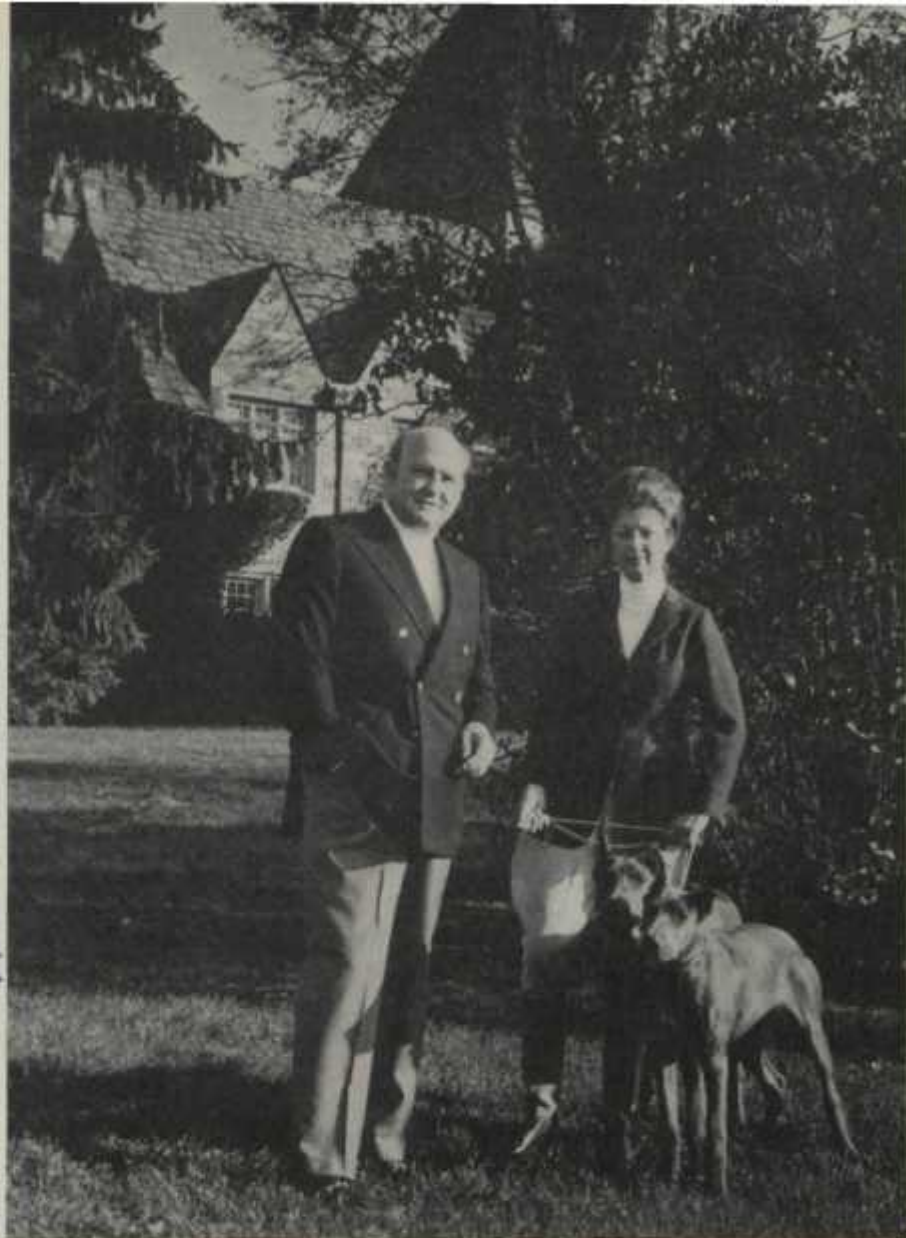
"He enjoys the challenge of business," Mrs. Rollins says, "and he has the ability to meet it." She explains: "He is extraordinarily able to separate the incidentals from the fundamentals."

Robert H. Shertz, president of Rollins International, has another answer: "He's a completely dynamic guy—constantly thinking of new things to do, of new ways to improve situations."

Mr. Rollins' mother, Mrs. Claudia Rollins, of Ringold, Ga., who is 87, has still another:

"A lot of people say it's luck. I say it's pluck."

In the following interview with a



John Rollins' life-style today is a far cry from what it was when he was a boy on a small, unprofitable farm in Georgia. He and Mrs. Rollins occupy a majestic, luxuriously furnished home, called "Walnut Green," on 14 lush acres near Wilmington, Del. The dogs? They're young Great Danes.

NATION'S BUSINESS editor, which took place in John Rollins' office on the top floor of Rollins International's 15-story headquarters building outside Wilmington, Mr. Rollins gives his own answer.

What was the first of your many business ventures?

Home-made bedspreads. I wasn't very successful—eventually, I went broke.

I was about 17 at the time. I had been running our family's farm because my father'd had a stroke when he was 39 years old—he never worked again—and my brother had a home and family of his own. My

brother helped when he could, and so did my mother, and we sold enough milk and eggs to get staples. But not much more. The last year that I ran the farm, I guess, my net income was \$20.

In those days they had a lot of home-made bedspreads. I would get the cloth and the threads in Dalton, Ga., and distribute them in areas where there would be maybe eight or nine people living in the same room.

Then they would make the spreads and I would pick them up the next week.

Why did you go broke?

You have to have more coming in

Have



Mr. Rollins, an active supporter of a Methodist church in the Wilmington suburbs, sometimes is asked to preach at a church in Jamaica, where he vacations and is developing extensive properties. Singer Johnny Cash, who owns a home in Jamaica, has joined him in conducting a service.

than you have going out, when you're in business. I didn't.

What did you try next?

Well, I went to a construction company to apply for a job. That was in 1935 or 1936, and in those days if there were jobs available, there were lines outside. There might be 200 or 300 people waiting to get one job.

I finally went to the president of the company and told him I had an invalid father, I wanted to go to school at night, and I needed a job. He told me to go to this construction superintendent.

That superintendent had to be the meanest S.O.B. in the whole world.

He was so irritated that I had spoken to the president that he had me work under the rock crusher—rocks are put in the top of it and crushed, and you scoop up what comes out underneath. It comes out real fine, and gets all over you, and I learned afterward that people didn't last more than two or three hours there. But I lasted so long that the rock crusher finally broke.

When it broke I was thinking I couldn't last another 30 minutes, but I walked up to the superintendent and asked if he could please give me that job again, when the rock crusher started, because I liked it so much.

I found that if I asked for the

worst jobs, he would never assign me to them.

Another job I had there was ditch-digging. They would put five of us in a ditch a day, and fire the two who dug the least. You talk about motivation—that's it. I think I outlasted 100 people.

But finally I went down below Rossville, Ga., and got a job at the Happy Valley Farms, a dairy.

How old were you then?

About 18. I started out as a bottle washer. Then I cut my hand, and I was assigned to be assistant manager. Of course, the assistant manager was the one who got up at 2 in the morning and checked all of the milking machines. And if the bottle washing got behind, he had to finish all of the bottles.

How long did you work there?

For quite some time. But one night I had a date, and the axle broke on the car, and I didn't get to bed at all. When I came to work I had to drive a truck, and I picked up 110 of those big 10-gallon drums of milk and then went to sleep while driving. I drove right off the side of an embankment, and through a telephone pole, completely wrecking the truck.

I figured I'd better quit before they fired me, and I did. I found out later that they had no intention of firing me. As a matter of fact, they offered me twice as much money as I was making, to stay there. They said I created more havoc than anyone they'd seen, but I didn't steal, either.

Anyway, I was sitting on a bench outside, after I told them I was going to quit, and this gentleman sat down beside me and we visited. After he heard my story, he said to come and see him, and perhaps he could help. He had been the general manager of the Walsh and Weidner Boiler Co., a division of Combustion Engineering, Inc., in Chattanooga, Tenn., and his brother-in-law was the superintendent.

They gave me a job there, doing just about everything. I worked on the different machines, and as a boilermaker and a machinist, and then I was assistant to the assembly superintendent in charge of the supply unit, which got all of the materials

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John W. Rollins *continued*

ready. Along about that time, I went to technical school at night and also began taking correspondence courses.

What led you to do that?

Well, in my first few years, it seemed to me that I did the work and someone with a college degree got the money. Also, I wanted to know more about my job, and be able to do it better.

I never have thought studies are everything, though.

One night, while firing a boiler and rolling ashes out on the dump, I picked up a newspaper and read this poem that I still remember. It said:

*"You may know your economics and philosophies and such,
But all the knowledge you gather
won't amount to much
Unless you have the courage of the
factory and the shop,
And can climb the ladder from the
bottom to the top."*

I thought I must have a pretty good future, because I'd had the low-end jobs there were.

I should tell you that studying at night and getting practical experience during the daytime was better than just going to school. And I found that having to study after you work all day makes you study much harder.

How many years of study were involved?

All in all, probably 10. I took mechanical engineering and graphic presentation, and a lot of individual courses on drafting and reading blueprints, and other courses, also—such as managing men at work.

What followed the boiler works?

Well, I'd started taking Civil Service examinations. I must have been turned down 12 times because I didn't have a college degree, though I had the equivalent of one, but finally I was accepted as a junior inspector in Army ordnance, in Philadelphia, for \$1,620 a year. When I arrived, they looked over my background and selected me as one of 17 in the United States to train for a key position in case of war.

How did you like working for the government?

Well, I learned a lot. I came to Philadelphia from Chattanooga on the coach train on July 1, 1940, with \$27 in my pocket. They told me when I left the South to remember to say "Yes, ma'am," and "No, ma'am," and bow a little bit.

The first day that I went to work, I bowed—and burst the seat out of one of my two pairs of pants. So I decided that this bowing stuff was too hard on my clothes.

From there, you went where?

To the Crosley Corp., in Cincinnati. I was director of planning for the Air Corps and ordnance division. Then I went to work for Bendix as manager of three plants in which we built a lot of radio equipment that went into the African theater of war and also into English planes. Later, I was asked to come to the Glenn L. Martin Co., in Baltimore, as a management consultant.

Then you took a big jump and went into business for yourself?

Yes. With a partner, I made an application for a Ford automobile dealership in Lewes, Del., now that the war was over. Each of us had \$500, and we had a friendly banker who loaned us \$10,000.

How much were you making at that time?

When I went to work for Crosley, I think, I was making \$3,900 a year, and then I moved up progressively to \$10,000 and finally I jumped to \$25,000, which was a lot of money back then.

But you gave that up for you own business?

It wasn't an easy decision. All I drew from the dealership, at first, was \$25 a week—the same salary our secretary got—and I had a wife and two kids.

Actually, I had intended to go on working while my partner ran the business. But he was much older than I was—he was in his 60s—and I started getting into running the entire thing. I bought him out in 1949, four years after the business started. And I obtained five other dealerships. I also started the leasing company in that period, and my brother Wayne

and I started Rollins Broadcasting and began its steady expansion.

How did you get into leasing?

There had been times when I'd tried to get jobs in the selling field, and people would look at me and say: "Well, do you have an automobile?" I couldn't afford a bicycle, but they used to tell me that if I didn't have a car they couldn't hire me.

I felt that making a car a condition of employment was unfair—like telling a secretary she has to have her own typewriter. Also, it was hard on the companies, because it cost them more money and made liars out of everybody who was paid mileage. I felt it would be much better if the companies leased the cars and furnished them to the salesmen.

Your auto dealerships relied heavily on radio commercials describing you as "Uncle John, the working man's friend," didn't they? Did customers come in and ask for Uncle John?

Yes. I was only about 30 then, and I had a time convincing them that I was the person they wanted to talk to. My uncle was working for me, so I let him handle people like that. If they thought he was Uncle John, it gave me time to follow through on other things.

Eventually, you got out of dealerships, didn't you?

The automobile dealership business grew large, but the leasing company was growing and growing. An automobile dealership is a personal business, and the hours are long and you have to stay on top of everything.

As I became busy with other things, I didn't have the time to devote to the dealerships, so I sold them off to people who were with me in running them. These people had been participating in the net profits—I had started that to attract good people, and we also started that in the leasing company and the radio stations. We still use the incentive approach in most of our operations.

Radio stations—that was Rollins Broadcasting, I take it?

Yes. My brother Wayne, who had

studied at night school, too, and had held a responsible job in Chattanooga, came up with me and we decided to get into the radio business. Our first station was started in 1950.

Wayne and I had been in another venture, down in Georgia—we had bought the Catoosa Springs, for somewhere under \$10,000—and we were going to sell the water. It's a variety of mineral water; Indians who were ill were left there to drink it until they got well. Our venture was successful—but we had to close it because price control made it economically unfeasible in those days. We still think about trying there again someday.

As I've mentioned, Wayne and I started Rollins Broadcasting, which in 1964 became Rollins, Inc.—I guess it was when we bought out Orkin in Atlanta. And we headquartered all the other divisions of what is now Rollins, Inc., in Atlanta, too. That includes radio and TV stations, outdoor advertising and other companies. All in consumer services.

Though we formed Rollins, Inc., together, Wayne has always run it. He is chairman and chief executive officer. My brother and I have always been very close. He's a director and stockholder of Rollins International. I'm a director and stockholder of Rollins, Inc.

The company your brother heads is in consumer services and this company, Rollins International, is in . . . ?

Corporate services, essentially. I felt there were many services that corporations would want to have done from the outside, because it is cheaper than hiring people to do them on an inside basis.

Would you trace the growth of Rollins International?

Well, originally it was Rollins Leasing Corp. We went into leasing of trucks as well as automobiles, and we began a series of acquisitions. The first one was Matlack, which hauls bulk commodities for companies, primarily in tank trailers. They were larger than we were.

Was there any problem about financing?

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Lessons of Leadership: John W. Rollins *continued*

ferred to buy it from the employees, who had bought it from the Matlack brothers.

Has the acquisition been profitable?

Yes. They had a very fine organization—including Bob Shertz, an outstanding man who is now president of Rollins International.

How about your other acquisitions?

Well, we've made several, and there have been one or two I'd just as soon we'd done without. But our business is growing fast, overall. In recent years our only acquisitions have been of companies in the same endeavor as our basic businesses.

Our other chief subsidiary is Rollins Environmental Services, which treats industrial waste for other companies and which we started internally, with some technological assistance from Purle Brothers of London. Fundamentally, though, we've developed our own technology since we've had to treat the most polluted waste streams produced by American industry.

Mr. Rollins, why are you in business?

Well, actually, I am running a business for profit, and I am not ashamed of it.

I started out with that in mind. I had a wife and kids and I had to hustle like hell to earn a living.

How do you feel about having fun with the money you make?

I believe in the things money will buy, but I don't particularly believe in money itself. A lot of people try to take their money with them. I enjoy life, myself.

You used to put in much longer days at work than you do now, I'm told.

I started out working from 6 in the morning until midnight. In those days, everybody who ran something for me had to call me if they didn't make their quotas for the day. I had a type of counseling with them—they didn't like to make those calls too much. Today our controls are more sophisticated. But we try to keep on top of all our operations.

Then you're still wrapped up in your work?

I am. Actually, when I'm in town I would work those same hours today if I could reach anyone, but you just don't find anyone in his office before 8 in the morning or after 7 at night.

I still don't hesitate to stretch a week. We have a lot of our planning sessions on Saturday mornings. We encourage our people who have to travel to do it before 8 or after 6 so they will be at the place where they have to do business during hours when people are working.

Rollins International is a company on wheels to a great degree. Do you have contingency plans to deal with energy crisis developments?

Certainly, insofar as we can. By the time your story comes out things can have changed drastically, but as a company we have purchased foreign diesels, done our part in tightening up our delivery routes, worked for power conservation, and in general approached the problem as one where we were duty bound to make a significant contribution.

Belt tightening never hurt anyone, and it's especially important to keep in mind when things are good. One of our country's problems is that we never thought about conserving energy at a time when we apparently had it to throw away.

Good judgment should tell us not to use anything, whether it's personnel or power or personality, unless there's a purpose in mind. In business you should never waste resources.

As for our company being on wheels, we think our services are vital. The markets that we're in are expanding and we expect to expand with them to an ever greater degree.

You've spent a lot of time in politics—you were lieutenant governor of your state and a candidate for governor. Do you have any thoughts on the businessman in politics?

I think businessmen should participate. Some of them stay out to themselves, and are always talking about the fact that politics is beneath them, but they play around with company politics in their respective companies seven days a week, so there is no reason for them to be pious.

They need to have an understanding of government because govern-

ment is tied into so many phases of business today.

And I think you should belong to one of the major parties and help elect its candidates. If you simply sit back and don't participate you won't help the country because people with other philosophies will be making the decisions.

That brings us to another thing. Businessmen who go into politics have a tendency to run things in it the way they run a business. It's not the same. You have to work with people, to influence them, and it's a selling job all the time—not a telling job.

Just how do you participate?

Well, when you find a candidate you can support, whom you think is outstanding, you work your heart out for him and get him elected.

The morning after he's elected, I must say, he will look in the mirror and state that he is the most handsome man that he has ever seen and that he did it all himself. But as time goes on that wears out and he gets closer to the actual job.

He learns he was elected, and not anointed or crowned. Then everything comes into perspective.

It happens no matter how high the office.

One last question: What basic attribute do you think has been most important to your success?

Well, I think it's something that the people around me tend to dislike—my being impatient.

You have to be impatient in order to get people to do things, and to have them follow through, in any business.

My wife sometimes tells me that I have to put myself in the other person's shoes. And I tell her fine, but if I did, I wouldn't have time to get anything done. **END**

REPRINTS of "Lessons of Leadership: Part CV—John W. Rollins of Rollins International" may be obtained from *Nation's Business*, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance with order.

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Do you realize that if you were to change jobs every 4 years, at an average annual increase of \$4,000, and then put the increases in the bank at 6%,—that in 20 years you'd accumulate an extra *half million dollars*!

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The next question then, is how can you easily change jobs? This is where the unique system we've developed fits in.

Our system can work for anyone from \$8,000 to \$80,000. Do it right and you'll gain higher earnings, lifelong job security, but most of all, *everlasting self confidence*!

This is because once you've used it, you'll know you can *always* get a new job,—quickly and predictably.

Perhaps you're wondering why our system works? Well, it works because it's a *completely different approach*, based on totally new concepts.

But, also because it's simple, practical, and self-tailoring. You could start next week—and do it *without strain, confusion or worry*.

But, there is one catch! You won't be a success if you use old methods for dealing with recruiters & agencies, for answering ads & sending out letters, for handling interviews & negotiating salary.

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With our system, whatever you seek—a better job, a new career, higher pay, more satisfaction,—*I believe nothing can stop your success!*

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However, your best proof of our system is that we've already received thousands of letters from grateful customers.

Letters like one from a gentleman in California who wrote: "In 4 weeks I changed jobs and raised my salary 33%! I wish I had it 10 years ago!"

Another man from New York said "I used one of your letters, sent 24 out, and got 13 interviews and 3 job offers!"

Still another from California said "In just 11 days I received an offer of \$7,000 more!"

I know this sounds almost too easy and I can't promise that you will do as well. But, then again you may do better!

Even the largest business magazine in the U.S., *Nation's Business*, said our materials were "incredibly effective."

Now, if you're serious about wanting to move up, then I know that our system is something you've got to have!

In fact, I'm so convinced that you'll agree that it's worth *hundreds of times the cost*, that I'll make sure you have nothing to lose.

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Mr. Jameson's ideas have been the subject of more than five hundred articles, ranging from 600 words in *Business Week* to 3,000 words in *Chicago Today*. This material has also been nationally advertised in leading media including *The Wall Street Journal*, *Scientific American*, *Nation's Business*, *Signature*, *The New York Times*, *Newsweek International*, *The Los Angeles Times*, *American Scientist*, *Income Opportunities*, *Time*, *Specialty Salesman*, *Success Unlimited*, *Chemist*, *The Army Times*, *New York*, *The Chicago Tribune*, *True* & others. © 1974 Performance Dynamics, Inc.

The Drive to Make Taxpaying Easier

The Internal Revenue Service's head man would like you to like him

Donald C. Alexander had a particularly rewarding time during a rare—and brief—vacation, which he spent on Massachusetts' Nantucket Island last summer.

He didn't break par at golf, which he doesn't play. Nor did he rout a formidable opponent at tennis, which he does play, though not too well.

But he did find a way, after lengthy study, to cut several pages of verbiage out of the instructions for federal income tax Form 1040A.

And when, as Mr. Alexander is, you're the U.S. Internal Revenue commissioner and dedicated to simplifying tax procedures, that's quite an accomplishment indeed.

Commissioner Alexander says he thinks there's "a real chance" that Congress will act this year on a wide range of proposals to make it substantially easier to figure out how much you owe Uncle Sam—a long-standing and so-far elusive goal of the agency he heads.

Longer-range, he hopes for simplification of the voluminous Internal Revenue Code, that 1,000-page compilation specifying the many ways in which Americans are required to turn over more than \$260 billion a year to the federal government.

Meantime, the Internal Revenue Service is doing what it can on its own. And progress, though limited, is being made. Taxpayers grappling with the familiar Form 1040 during this income tax season are finding that:

- Schedule A, for itemizing deductions, no longer requires under the medical-dental category an itemization by name and amount of doctors, dentists and hospitals to whom payments have been made. Charitable contributions for which you have receipts, canceled checks or other such proof do not have to be itemized either, and may be listed in a lump sum. Other types of contributions must still be detailed by name of recipient and amount.

- Schedule B, for details of dividend and interest income, is gone. Those payments will appear only as lump sum amounts on Form 1040 itself.

- The separate form for designating that \$1 of your 1973 taxes (not of your refund, if any) go into the 1976 Presidential election campaign fund has been eliminated. The payment can be mandated by checking off a box on the face of the return, and there's a separate line for a retroactive payment out of 1972 taxes. (This was done because of complaints that the original procedure, with its separate form, was too cumbersome.) There's also a box for \$1 donations by both husband and wife, for each of the two years, on a joint return.

- The two lines of questions asking additional details about residence for purposes of revenue-sharing have been condensed into a single square for "county of residence."

Mr. Alexander is also directing ex-

tensive improvements in what he refers to broadly as taxpayer services and taxpayer relations: "We want to make it easier for people to understand our written communications and how to communicate with us, and to know what their rights are as well as their responsibilities."

Rougher on shelters

While tax simplification is one of Mr. Alexander's principal areas of concern, there are others in which he has made a mark since taking over last May as the nation's chief tax collector.

He has championed the Internal Revenue Service as an agency that, despite the controversy swirling around it in the Watergate backlash, has preserved its integrity.

He has served notice of a tougher IRS line on tax shelters: "Any investment made with the knowledge that the only profit will result from tax savings is extremely questionable. In fact, losses that result from such an investment may not be deductible."

The policy of IRS auditors, he has said, is to "look at the entire enterprise to see whether participants can, absent unexpected problems, reasonably expect to earn a profit appropriate to the investment and the degree of risk involved."

Mr. Alexander is quick to knock down the idea that the responsibilities IRS has been given in the eco-



IRS Commissioner Donald Alexander, who deals daily with complicated tax matters, hopes to simplify that chore for those faced with it only once a year.

economic stabilization and energy allocation programs might make it easier to slip something by in this year's tax returns. "We will have more revenue agents and tax auditors conducting more audits of more taxpayers," he says.

He notes that more returns are selected for auditing in higher income categories than in lower ones.

Mr. Alexander, 52, took over as IRS chief after a 25-year career as a tax lawyer in Washington, D.C., and Cincinnati, Ohio. His practice, plus service as a consultant to the federal government on tax matters, various leadership roles in the taxation section of the American Bar Association and authorship of more than 25 articles on federal tax law, had made him one of the nation's best-known men in his field.

He graduated with honors from Yale and from Harvard Law School magna cum laude, with World War II combat service in Europe sandwiched in between the time he spent at the two schools. (His two sons have followed him in going through Yale. One also went to Harvard Law, and is now in practice. The other currently is a student at Harvard's Graduate School of Business Administration.)

When he discusses tax law, it is in a voice that retains strong traces of the drawl of his native Arkansas and has the crisp precision of a man who has spent his professional life in an-



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The Drive to Make Taxpaying Easier *continued*

alyzing some of the most complex prose ever devised.

Mr. Alexander's working day begins at the office at 7:30 a.m. and ends near midnight in the apartment he and his wife have taken in Washington. He gets out of the massive IRS building on Constitution Ave., across from the Smithsonian Museum of Natural History, just before they lock up the place at 7:30 p.m.

He puts in a seven-day week that is heavy on meetings and conferences, as well as on paper work. Rarely does he find himself outdistancing the avalanche of paper. "You should have been here a few minutes ago," he told some recent visitors, a note of triumph in his voice. "My out box was higher than my in box."

Never on Sunday

He likes Sundays: "There are no meetings at all, so you get a lot of work done on Sunday."

IRS expects to receive more than 80 million personal income tax returns this year and nearly 100 million of other types of returns, forms and reports.

To handle all that paper, IRS has 75,000 employees divided among the headquarters office in Washington, a national computer center in West Virginia, seven regional and 58 district offices, and 10 service centers where individual returns are processed.

In an interview with a NATION'S BUSINESS editor, Mr. Alexander discussed major aspects of the work of the federal agency that has contact with more Americans than any other:

Tax simplification. "I don't think that, simply because we have a complex society, we must have a complex tax code. We have an extremely complicated law and we have extremely complicated interpretations of that law. I would like to see a law that people can understand and apply to their own situations without the need for outside guidance in most cases."

"We could, and we should, have a very fair and simple law. It's so complicated now that things put into it to help people aren't helping them; many people can't find their way. But I think that this year we have a real chance for tax simplification by Congress."

Reports that IRS has been demoralized and politicized. "IRS has not been demoralized at all and it surely has not been politicized. It's a good agency. It's had quite a bit of unfair criticism from people who have taken charges made at Congressional hearings and translated them into alleged facts. I never thought IRS was engaged in harassing 'enemies' and I never thought it was engaged in rewarding friends."

"I was delighted to see Congress' Joint Committee on Internal Revenue Taxation bring out, after an investigation, what the facts really were—namely that to the extent that attempts were made to politicize the IRS, those attempts failed. If any such attempts are made again—I can't imagine any would be—they would also fail."

Tax cheating. "We have more people in the Internal Revenue Service and we are making more audits in terms of absolute numbers and in terms of a percentage of those filing. I think we are making better audits, auditing more people who need it and fewer people who don't."

"Our no-change rate in returns selected for audit is down to about 25 per cent, the lowest in several decades. The taxpayer population is growing in terms of those who do comply, which is most people, and probably the number of those who don't comply has grown."

"Our long-range plan is to audit slightly above 5 per cent of all returns. We're not near that now. We were down to 1.9 and are now back to 2 per cent and expect to go slightly above 2 per cent this year. As an example of the absolute numbers involved, we performed 75,000 more audits last year than in the previous year."

Tax shelters. "IRS is concerned whether partnerships and their partners comply with the tax law just as other taxpayers do. The fact that a syndication of some sort is involved gives no immunity from this duty to comply with the law."

"We are not interested in stifling or curtailing incentives, but we are interested in seeing to it that deductions are real, and that the pass-through of a loss is actually of a loss

permissible under our tax laws and is passed through to the right person subject to whatever limitations exist. Prepayment may or may not be deductible in the year in which the payment is made.

"The statement that we expect syndications to abide by the rules may surprise some people but it shouldn't. And my recent statement that we are not required to give advance rulings on transactions that had tax reduction as their principal purpose was not an establishment of new policy.

"When we do give an advance ruling, we want to see not only the documents and prospectus on the proposal itself but also any promotional literature used in connection with the offering. And we want to find out whether any promises and assurances are fully in accord with the representations made to us in the request for an advance ruling. If we find discrepancies we want to know why they are there."

Diversion of IRS personnel. "We are not weakening our agency despite our commitment of personnel to wage-price stabilization and now to the energy program.

"The size of that commitment to overall wage-price stabilization is about 2,400 people, under the recent peak and higher than a recent valley. In addition, 300 are working on energy matters but they are not being taken from IRS. We are assisting the energy office in hiring and training 1,000 more enforcement personnel. When the 1,000 are on board, the 300 IRS people will return to us.

"Taxpayers should not be misled by any idea that large numbers of IRS personnel are preoccupied with preventing price gouging in fuel. We have a strong field force, about 14,000 agents engaged in enforcing and administering the tax law."

Taxpayer services. "We have extended our toll-free calling network and we hope to give quick and accurate answers on tax questions, saving taxpayers time and permitting us to serve more people with the resources we have." [The telephone numbers within each state and the District of Columbia appear on page 2 of the Form 1040 booklet, and

page 7 of the Form 1040A booklet.]

Taxpayer relations. "We have redrafted the letters we send to taxpayers notifying them we are starting audits of their returns because we have questions about them. Those letters, which are as short as possible, commensurate with completeness, now include the name and telephone number of a live person the taxpayer can talk to, plus a statement of why we audit returns and of what the taxpayer's rights are in connection with an audit.

"Also, we have redrafted our publications telling people what their appeal rights are in the event they and the revenue agent don't agree. And we have a new booklet [available on request from IRS offices] that tells people just how we go about collecting taxes, what we expect of them and what they can expect of us.

"In addition, we have given greater authority to district offices, our first line of conferees with taxpayers, where settlement discussions are at their most informal and are most convenient to the taxpayer. Previously, the district offices had no right to settle but now they can resolve cases involving \$2,500 or less, whether a refund or deficiency. We think this will help the taxpayer resolve any problems at the earliest possible time with the least possible confusion and red tape."

Professional tax preparers. "We have had going for the past two years a program really checking up on unethical tax return preparers.

"Also, we have asked Congress for legislation to help us cope with these unethical preparers. In our view, and we think that of the industry, this legislation would not disturb the ethical preparers. Most people in this industry do a good, ethical job.

"The legislation would give us the right to charge penalties—\$100 for a really bad return—and to go to court for an immediate injunction against really unscrupulous preparers. But we don't intend to ask for authority to regulate tax preparers through a licensing process, which might demonstrate competence at a particular point in time but might not have any relevance at a later time."

END



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letters

"Snake Oil" vs. a Free Market

• The economic ills that we suffer today need never have occurred if the marketplace were left alone to seek its own solutions. Instead, we continue to apply large doses of "snake oil" in the form of artificial stimulants, depressants and regulations, and they only make our social and economic problems worse.

The free market does work if only we will let it. Take the case of gasoline. If there is greater demand for gasoline than there is supply at 50 cents a gallon, the price should rise naturally to the level at which demand subsides and equalizes with supply. If it has to rise to \$1.50 a gallon, let it. Users of gasoline have a choice. If there is something they need gasoline for that they want to do badly enough, they will pay the \$1.50 a gallon. If they prefer to put their money into something else they consider more worthwhile, they won't pay the price.

Before it is too late for even a truly free market to correct our deeply serious economic diseases, the President, Congress and the Supreme Court should proceed with haste to undo all legislation, executive orders and directives that in any way, shape or form influence the free functioning of all markets for goods and services.

JAMES B. HARRIS
Sunshine, Calif.

Sen. Hart and small business

• Re "Is He Big Business' Biggest Boogeyman?" [November].

This article about Sen. Philip S. Hart (D-Mich.) sheds some light on fuzzy thinking which has played a major role in putting the squeeze on all of business and the free enterprise system.

The wealthy Senator from Michigan is as much to blame for the dominant role of big business today as is any other single individual. He has supported many legislative issues in the past which have gradu-

ally tightened the noose around the small businessman, making it increasingly difficult for him to operate.

A perfect example is offered by the federal and state occupational safety laws. Sen. Hart's views on this issue, which has literally hundreds of small businesses on the verge of bankruptcy, show a total lack of understanding of the real result of total enforcement of OSHA.

If the Senator is indeed concerned about big business getting bigger, he should support reforms which make it easier for small business to exist economically.

JEFFERSON D. KEITH
Managing Director
American Metal Stamping Association
Richmond Heights, Ohio

• Your article on Sen. Hart stressed that his bill would stifle incentives toward expansion and better operation. If this legislation does pass, then we who are in the health services field, particularly nursing homes, will be able to say to the major firms, "Welcome to the club."

For the past three years, the very same kind of stifling actions have been pressed against such homes. The better run, more efficient ones, those that used economical buying practices, are now having to penalize themselves.

State governments, particularly Minnesota's, have decided that nursing homes which show too great a profit will have to cut their rates. But the nursing homes which have been wasting their income, and not concerning themselves with providing the highest possible quality of care at the lowest possible prices, will now be receiving a better rate.

We were almost laughed at when we said there would be such problems for other businesses, but Sen. Hart is moving in that direction. Welcome to the club.

GARY BOKELMAN
Administrator
Lafayette Good Samaritan Center
Lafayette, Minn.

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**This Month's
Guest
Economist:**

Sol E. Flick



Sol E. Flick, vice chairman of Bulova Watch Co., joined the company in 1941 and has been a major participant in its growth abroad. He has lectured at graduate schools of business.

Pitfalls of Joint Ventures Abroad

Joint ventures have become very popular vehicles for international expansion by American business, and they may become even more popular in the period ahead.

By definition, a joint venture is a form of partnership between two or more to develop, manufacture or market a product or service. Foreign joint ventures are created for a variety of reasons, such as acquiring technical or management know-how, limiting risks of foreign investment, sharing ownership of patents and technology, seeking less expensive labor, avoiding import restrictions, or using local natural resources.

Whatever the main purpose of the foreign joint venture, it has often been a profitable experience, always a fascinating one, and sometimes a frustrating one.

Let's consider the major pitfalls that await the typical American company, with emphasis on the human relations side.

Actually, a joint venture is in effect an international corporate marriage; or, translated into today's language, "a meaningful relationship." You can't have such a relationship with-

out mutual respect and trust, a real give-and-take, a pooling of resources, and an agreed upon and clearly understood objective. These are not just platitudes; and they have different meanings and methods of implementation depending on where in the world you are dealing.

One major pitfall is management inflexibility in dealing with realities.

We are meeting more nationalistic barriers, particularly those of us who manufacture consumer products. Many foreign countries will no longer permit just the import of a product into their country—they also want to absorb the technology on which the product is based.

So you may have to trade off with a commitment to manufacture locally. There will be more and more of this kind of bargaining, particularly in developing nations. Foreign companies that manufacture in them will not be allowed simply to do so and then export their products, leaving nothing behind. These countries want training and technology that will be useful in developing local industry.

It's also necessary to be flexible

about how much ownership you must have. In many countries, there are categories of industries in which 100 per cent foreign participation is restricted, and you may have to settle for a good deal less. With emerging strong national feelings, it is to your advantage to have enough local participation so that you become a "local" firm and not just another foreigner. How much is enough? It depends on local requirements and on the objectives.

The biggest pitfall of all, perhaps, is the sometimes understandable desire to get the better of the deal. If you do succeed in achieving a one-sided arrangement in your favor, how long can it be before your partner discovers the inequity? It is important to approach the joint venture company with sympathy for and understanding of your partner's interests, or the project may never get off the ground.

To be successful, you must not fail to allay your foreign partner's unspoken fear that you will want to impose your methods, dominate with your management, and generally operate with your rules.

There is no pat formula for helping your prospective partner put aside his concerns. If you can point to a successful record of other overseas alliances, that's obviously a big plus. If it's your first joint venture, your sincerity and preparation will count heavily.

Another major error is to omit discussion of certain fundamental questions that we often take for granted. In negotiating with a foreign company, you have to cover many details not normally included in a domestic business partnership. You have to discuss what each partner wishes to accomplish, how each can benefit and which objectives are to be achieved. You cannot spend too much time outlining them as well as the steps to be taken in their implementation.

The frequent confusion that exists within the joint venture company concerning its precise goals presents another pitfall. The individuals who will ultimately be entrusted with local management should, if possible, be present during negotiations between the principals. Such conversa-

tions with top management make an indelible initial impression on local operating people.

Another potential trouble spot: Many joint ventures neglect to build an allegiance among personnel of both partners for the new company. This is an essential ingredient for success. You must instill in the joint venture's employees the feeling that they are working for, and protecting the interests of, an independent entity—and not their former employers.

Beware of the pitfall resulting from the natural reticence of both partners concerning the amount of technical know-how each is going to give the joint venture. Each fears that if the venture does not succeed, the other will have gained an advantage because he has acquired some trade secrets in a free exchange.

Consider this example: Suppose a leading American watchmaker and

an overseas partner form a joint venture to manufacture a new kind of watch. The U.S. company holds the patents and has the technology for manufacture. However, the other partner knows the market, controls skilled labor, and has other advantages. The American company would have to teach the employees of the joint venture how to manufacture the watch. If the venture folds, the personnel who came from the overseas partner would retain all know-how as a very valuable consolation prize, while the American company would have very little to salvage.

It is a real problem. However, such a risk must be calculated in forming a joint venture. Once you go into the venture, you have to bring to it all your trust, just as if it were your own firm.

It's important to avoid the natural tendency to create a dependence on

one partner by the other, based on such factors as know-how, government contacts or items supplied. Both partners have to overcome this temptation and strive to make the joint effort completely integrated.

A vital factor in the human side of the business relationship is adherence to local customs—showing knowledge of and respect for the people and their customs. To impose your standards alone can be disastrous. Always make certain that you apply the standards of the country in which you are operating, no matter how strange they may seem or how strongly you may feel that your system is better.

By blending local and foreign identities, the overseas joint venture has every chance of holding together and becoming not only a profitable success, but also a symbol of international harmony.

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The reasons why they selected Miami are in two new booklets, the first a report by the Greater Miami Chamber of Commerce. (Admittedly, a little biased.) And the second, a study by the Fantus Company. (About as unbiased as it's possible to be.)

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A Better Way to Fight Blight?

HUD Secretary Lynn has high hopes for a new approach to the problem of getting low-income families into better housing

How

When President Lyndon B. Johnson signed the Housing and Urban Development Act of 1968 into law five years ago last November, he labeled it, in typical LBJ fashion, the "Magna Carta to liberate our cities."

The Act renewed and expanded the federal government's role in providing "a decent home and suitable living environment for every American family" and authorized subsidies to build or rehabilitate some six million apartments and single family homes over the next decade.

It was designed to wipe out slum housing in the United States.

In January, 1973, President Nixon froze the housing subsidy programs of the 1968 Act. While much good had been done, he said, the programs were rife with scandal and inefficiency. Public housing projects that are "monstrous, depressing places—rundown, overcrowded, crime-ridden, falling apart" were too often the end product, he said. The federal government, he added, "has become the biggest slumlord in history."

The President directed newly-minted Secretary of Housing and Urban Development James T. Lynn to



Secretary of Housing and Urban Development James T. Lynn, 46, took over from George Romney a year ago. A Cleveland attorney before entering the Nixon Administration in 1969, he served as general counsel at the Commerce Department and rose to Under Secretary before going to HUD.

find a better and less expensive way of providing housing for lower-income families. A HUD task force set to work last March, conducting a study that took more than six months.

HUD assigned 135 career and temporary employees to the study, hired 17 outside consultants to work full-time, commissioned 99 consulting studies and considered 508 public responses to a letter asking ideas on housing and government's role in it.

Costing about \$2.5 million, the

project was a full-scale review not just of HUD programs, but of the entire government role, and of the role of private lending institutions, in housing production and finance. There were interviews to solicit the views of mayors, local housing agencies and outside interest groups.

What emerged in September, in a Presidential housing message to Congress, was a program to move away from the construction-oriented approach and toward a housing al-

allowance plan that would provide cash directly to poor families to enable them to buy or rent housing on the open market.

The allowance plan would not go into effect generally until proved out in a two-year test period.

Tests, which had been authorized by the Housing and Development Act of 1970, have been going on for a year; and they are under way in 12 cities. So far, problems such as lack of suitable housing into which families in test areas could put their allowances, and refusal of some communities to accept a housing allowance program, have cropped up. But HUD officials think they can be worked out.

The President also proposed (1) immediately easing the tight mortgage credit situation by making more federal funds available to lenders; (2) making it easier for homeowners to obtain long-term mortgages (one proposal called for an interest tax-credit of up to 3½ per cent to financial institutions which invest in home mortgages); and (3) improving community environment for housing through the Better Communities Act, which would provide \$2.3 billion of shared revenues to cities, urban counties and states.

But the direct cash assistance plan was the major shift. In recommending it the President explained: "The main flaw . . . in the old approach is its underlying assumption that the basic problem of the poor is a lack of housing rather than a lack of income. Instead of treating the root cause of the problem—the inability to pay for housing—the government has been attacking the symptom."

The reception for Mr. Nixon's message was frosty. Some Senators and Congressmen, still miffed at the President's freezing of construction subsidies the previous January, faulted the proposals for not providing more housing while the direct cash

assistance idea undergoes testing. Key members of the Senate Housing subcommittee vowed to revise the President's proposals.

Other critics, while finding appeal in the direct cash idea, saw possibilities for fraud, including collusion between landlord and tenant, or drastic inflation of rents.

So, curtailment of the federal government's role in housing construction and movement toward housing allowances has many early enemies. And with another year of testing ahead, there are lots of questions even in the minds of supporters about housing allowances in the United States.

Following is a NATION'S BUSINESS editor's interview with Secretary Lynn on the thinking behind, and hopes for, the proposals:

Direct cash assistance to provide low-income housing is a fundamentally new approach. What are the failures of the old methods of construction subsidy?

In the first place, they are extremely costly per family served, as compared with maximizing the use of existing housing.

When you build new, you must put in the latest and best amenities, while with our existing housing stock, we have many units across the country which may not be as up-to-date as the ones being built now but which could provide fairly satisfactory, safe and sanitary places to live.

Secondly, the construction programs are structured in a way that the cost of the government role produces a housing unit that is substantially more expensive than if the private sector had built it without government involvement. We estimate that the average additional cost is something like 20 per cent.

Beyond that, we have had other tragedies—some instances of shoddy construction, but, more importantly,

a very heavy default rate. Our estimates are that some 20 per cent of the housing units we have assisted will come back to us by way of default.

What has been the cost of the government's role in housing since the new construction programs came in four to five years ago?

We have put from \$65 billion to \$85 billion into them in the last four years—obligations that we will have to pay over the next 40 years. In spite of those tremendous sums, we have only helped one in 15 families that need housing assistance. We estimate that if we tried to achieve equity by giving decent housing to all those in need of it under existing programs, it would cost something like \$34 billion a year.

On the other hand, it appears that by maximizing the use of existing housing and putting cash assistance directly into the hands of the people who want help, we could achieve substantial equity—cover everyone—for about \$8 billion to \$11 billion a year.

Essentially, what you are doing with cash assistance is to stimulate the demand side of the equation as opposed to the supply side?

I think that is a fair way to put it.

Also, we believe we should give freedom of choice. The United States has a soup kitchen approach to providing housing now. What we do in housing today is build it. And we say to the fortunate ones for whom we have housing units, "Come and get it. Take it or leave it."

One thing direct cash assistance does is to give families freedom of choice as to where they will live.

Is getting some dispersion of low-income people a consideration?

As the President points out in his housing message to Congress, our present programs have tended to

A Better Way to Fight Blight? *continued*

concentrate low-income people in the same projects. There is a stigma attached to living in a project, and you tend to magnify whatever social problems may exist. One thing that would be accomplished in the long term is getting rid of that kind of concentration.

A major criticism of direct cash assistance is that you are going to have a lot more money chasing the same supply of housing, and that this will push rents up and contribute to inflation. Is this true?

As I testified before the House of Representatives, it is a *sine qua non* of making the direct cash assistance program work that we maintain a healthy vacancy rate in the United States. I see a robust construction industry and a healthy rate of construction in the years ahead that will keep vacancy rates high enough to avoid pushing rents up under this program.

I agree that if we try to provide direct cash help to all lower-income families in the first year of the pro-

gram, we could have the kind of inflationary effect you mentioned. But we're talking about phasing in this program over a fair number of years. From the national vacancy rates we have now, HUD doesn't believe there will be any general inflationary effect.

Could you go into the nuts and bolts of how you'd decide who gets how much cash assistance?

What we hope to do is put mechanisms in place across the country to determine what it costs to obtain safe and sanitary housing in each area. That will be our bench mark. Then we must come up with a percentage of each family's income that we consider fair for them to allocate to their housing needs.

The shortfall between that fair portion of income and what it takes in a particular community to obtain safe and sanitary housing would determine the amount of direct cash assistance.

Present housing programs have been

criticized for not giving much incentive to owners or tenants to maintain property. Does the direct cash approach address that problem?

Although our task force study covered six and a half months, we weren't able to verify something I believe is so: That our present construction-oriented programs hasten the deterioration of a lot of decent housing stock that could last another 20 or 30 years.

Instead of emphasizing maintenance and repair of existing housing, we've been moving people into brand new housing for lower-income families.

A letter I received from my own former city of Cleveland, Ohio, says planners there concluded our approach is the only answer to this kind of blight and decay of otherwise good neighborhoods. As in so many other areas, property owners in Cleveland face a situation where people remaining don't have the incomes to maintain and repair their properties.

After all, property taxes have been going up along with maintenance and repair costs. By giving direct cash assistance, there is motivation to improve those properties and maintain them properly.

Do you think that if direct cash assistance for housing is eventually approved it will have to be dovetailed with other plans for cash payments to the poor that might be part of a welfare reform package?

It certainly must be designed in a way that it can be coordinated well with whatever further steps are taken in the welfare reform area. And it must be coordinated to the best extent we can with existing programs.

Some members of the Congressional housing committees are said to be leaning toward block grants for housing. Do you disagree with that approach and if so, why?

We looked at the block grant approach to communities and concluded it was not the best solution.

Programatically, it would be extremely difficult to handle because federal assistance would have to be an annual grant—which doesn't give

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A Better Way to Fight Blight? *continued*

any assurance to the communities of future funding so they can enter into 30- and 40-year-mortgage subsidized arrangements. And if it's just an annual grant, the number of housing units that can be put up is very small.

Since we're inclined to think the direct cash approach is best, there is no sense in turning over programs now to the states under a block grant approach.

While the thrust of the President's proposals is toward getting the federal government out of housing construction, they do call for limited subsidized construction, don't they?

Yes, and I believe there hasn't been enough said about these housing construction proposals. While we're proposing to use the existing Section 236 program that subsidizes mortgage interest on 75,000 rental units, we plan to use Section 23 to lease 50,000 existing units and build 75,000 new units under the section's construction-under-a-long-term-lease provisions.

But we are also asking for legislation which would shift much of the responsibility for developing projects from the federal government to private builders. Under it, we would go to a builder who is constructing an apartment house for the conventional market, and say: "If you set aside 10 to 15 per cent of your apartments, and put low-income people into them, we will pay the difference between what your market rent would be and what those people can reasonably afford to pay."

HUD is doing rather extensive testing of the direct cash assistance approach. How is it progressing?

In 1970, Congress authorized experiments in what were called housing allowances at that time. We are presently embarked on experiments that will cost in excess of \$160 million and involve in excess of 18,000 lower-income families.

Some of the experiments deal with what is the best agency to administer the direct cash program—states, local government or the federal government; and if at the federal level, which agency.

Other experiments involve tight

supply situations. We're giving cash to lower-income families in Saginaw, Mich., and Green Bay, Wisc., to see the effect on rentals in those areas.

Also, we use different kinds of administrative arrangements, types of regulation, kinds of counseling, methods of housing inspection, and so on, to see what is the best single operational approach.

When do you expect firm information from these experiments? What's your timetable for getting the program started?

As the President has said in his message, our timetable is to come back to Congress with our final evaluation and an operational program by late 1974 or early 1975. And that would mean the program would become operational—we would be making the first cash payments, probably to the elderly—at the end of calendar year 1975 or early in 1976.

Do you feel it's politically possible to sell the direct cash approach to Congress and the American public?

I would say there's a growing unhappiness in the United States with the way we have helped low-income families. A study by the House of Representatives indicates that what with food stamps, housing construction, job training and so forth, you easily reach a point with some families where for every dollar they earn, they lose a dollar in benefits. It's a built-in dependency cycle and work disincentive.

Accordingly, it seems to me there is a good deal of receptivity today to explore direct cash assistance where it makes sense.

But having been in government five years, I have to say that the result is not determined. I know very well that no program will work perfectly in all cases.

You wouldn't try to paint direct cash assistance as a panacea then?

I don't believe anything is a panacea when you deal with problems that are as complex as this. The issue is, looking at the people you are trying to help and also looking at the taxpayer, are there better ways of doing things than we are doing them now? END

How to Mail Smarter

All right, they're about to raise the rates on postage; but don't let it lick you

Depending on the class of mail used, your postage rates will swell from 6 to 40 per cent starting March 2.

What can you do about it? Basically, you have three choices:

- Continue what you're doing and pay the additional costs.
- Cut down on your use of the U.S. Postal Service and stay within your originally planned budget.
- Get more results for each budget dollar.

In other words, mail the same, mail less or mail smarter.

Because mail is the lifeblood of most business, and profits are the heartbeat, the first two choices aren't attractive. But a lot of help is available for you, if you want to mail smarter.

To begin with, there's the very source of the increased financial burden—the U.S. Postal Service. The Service sought the new rates because of recent increases in its labor costs—higher wages for postal workers—and a mandate from Congress to make income equal outgo.

For years, the often-criticized Postal Service has been trying to do better by the postal customer. It's come up with some new ideas, including Mailgrams, express mail, ControPak and plant loading, to speed up the process of moving the mail.

The Service has established cooperative efforts in which mailers themselves perform some of the postal steps, such as presorting mail, loading and dispatching mailbags in the mailers' plants, and using post office trays to reduce the number of times envelopes are handled, bundled or faced.

ROBERT J. PASCAL, author of this article, is a vice president of Pitney Bowes.



DRAWINGS: CHARLES A. DUNE

- May sent 2-1-74

And it's listening to the customer. There are about 500 local Postal Customers Councils, whose membership comes from both the Postal Service and users of the mails. These are busy groups, working together to understand each others' needs and solve mailing problems.

"The aim of these councils," says Assistant Postmaster General William D. Dunlap, "is better communication both ways. We've got to know what our business mailers want us to do in order to improve the service."

Many a post office also has a customer service representative assigned to it. He's available for such things as helping the national distributor get his catalogs circulated more quickly, showing the local garden club how to get its monthly newsletter mailed most cheaply, and helping the individual citizen send a money order overseas.

If you haven't already done so, you and the communications managers in your business ought to get to know the local custom service representative, as well as the postmaster and his supervisor of mails.

They have problems, too—last year 428 pieces of mail were handled for each person in this country, which means that on average each postal employee handled 131,079 pieces of mail.

Nor is any reduction in the amount of mail in sight. Annual volume—more than 89 billion pieces last year—is expected to reach 106 billion by 1980. To cope with this flow the Service is investing heavily in mechanization.

The Postal Service isn't the only source of help in getting to "mail smarter." A host of mailroom systems experts across the land can bring you a bagful of ideas, and a knowledge of the regulations, that can almost

How to Mail Smarter *continued*

invariably bring some improvement to the preparation, handling and cost of your mailing. Generally you can reach one or more of these experts with a local phone call.

Free postal counseling has long been a trademark of the sales representatives from my company, Pitney Bowes, for example.

We not only provide this counseling to anyone who needs it, but offer helpful brochures, such as a new booklet, "30 Ways to Make Your Mailing Operation More Efficient."

What's more, Pitney Bowes has opened in Bethesda, Md., a Postal Education Center with a two-day program of instruction on postal regulations, types of mail

machine; consider mechanizing back at the addressing, bursting, folding, collating and stuffing stages.

Call in systems experts to counsel you on the procedures, space requirements and scheduling that will work best for you.

2. Use every service and help available from the post office. In addition to seeking help from the customer service representative and the Postal Customers Council, study the newer services available, such as express mail, facsimile mail and plant loading.

The Postal Service will lend you sacks, trays, tags and labels, to shorten your mail's time in the post office. Use them.

Get the free, helpful post office booklets describing postal services for businessmen and the preparation of business mail.

3. Organize your addressing for maximum value. Not only should you use Zip Codes to speed mail in the post office, but you should presort by Zip Code. Also, separate first-class, air mail, local and out-of-town, and city and states—because every such breakdown you do in your own mailroom is another handling saved in a post office.

Set up your addressing for optical character reading, so processing can be faster. The post office can describe these special block-form requirements for you.

Have the local post office correct your mailing list (the charge is nominal). Also, add reply-card mailings to your list, and copy the Postal Service's magnetic tape Zip Code information, if feasible.

4. Get the most for your postage dollar. First, do all you can to cut the weight and size of your mailing pieces:

Print on both sides, use lighter-weight papers, trim margins, use microfiche for catalogs and lists, eliminate unnecessary communications.

Also, group items to the same address, to save envelopes and postage. Piggyback a letter on or in a package. Weigh mail on a good scale to ensure that extra postage isn't being applied, or too little—a source of aggravation. Use metered mail, to get the fastest processing for the postage paid.

Schedule your distribution of incoming mail, and the preparation and dispatching of outgoing mail, for maximum advantage. Mail early and often, each day. Don't pay for air mail on Fridays, if first-class will get there on Mondays. Match your mailing to the post office's dispatch schedules.

When planning a special mailing, or a change in procedures, discuss it with the mailroom equipment people for their recommendations.

In sum, don't despair at the thought of the increases in the postage rates. There are many ways to mail smarter. END



service, mailroom planning, communications flow, distribution systems and a score of proven ways to get more mail service for each budgeted dollar.

Meanwhile, what are some of the things you can do right now to improve your mailing procedures and limit the financial jolt of the rate increases?

1. Plan your mailroom facility as carefully as you plan your marketing program. After all, you're dealing with your most important publics by mail: customers, suppliers, sales representatives, stockholders, employees, etc.

Locate your mailroom where the traffic is; give it room to grow; and staff it well enough to handle peak jobs.

Group similar functions and furnish them with modular equipment whenever possible.

Mechanize every step of the process that you can, using systems that will expand as your business grows. Don't stop with an automatic postage meter mailing

REPRINTS of "How to Mail Smarter" may be obtained from Nation's Business, 1615 H St. N.W., Washington, D.C. 20006. Price: One to 49 copies, 50 cents each; 50 to 99, 40 cents each; 100 to 999, 30 cents each; 1,000 or more, 20 cents each. Please enclose remittance.

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A Program to Keep Businesses Afloat

Enterprises don't have to go under due to floods; Uncle Sam offers a hand—which will help if it's taken in time



When Four-Mile Run ran wild, one man's lifetime of work could have been washed out at this and other businesses he owns. But federal flood insurance came to the rescue.

Richard T. Eudy, his wife, and about two dozen of his employees were perched atop a metal fire escape at Eudy's Auto Parts in Alexandria, Va. Below them, flood waters swirled by the nearly submerged building.

They had been trapped by Hurricane Agnes. The storm had swiftly turned Four-Mile Run, usually a shallow, wide, slow-moving stream, into a torrent. Quickly overflowing its banks, it had made a lake of much of the surrounding area.

Mr. Eudy's three businesses—Eudy's American Service, Alexandria Texaco Service Station and Eudy's Auto Parts—all seemed threatened by the angry waters, as did his life.

Then, at 2 a.m., June 21, 1972, a cabin cruiser manned by volunteer firemen eased up to the fire escape and took the marooned aboard.

Although Mr. Eudy had been rescued, a lifetime of work and saving seemed to be going under.

Closest to the rampaging creek is his American Oil Co. gas station, the

keystone of his business. Even after the waters subsided and the mud was cleaned away, it was closed for three weeks while flood damage was repaired.

Just adjacent is his Texaco station, purchased after Eudy's American Service began to flourish. Beyond that is the big auto parts store, which was flooded inside to a depth of 8½ feet, and had to be closed for seven weeks.

Today, the three businesses are still there, and flourishing. Despite the flood, Mr. Eudy says, his sales totaled \$1,435,000 in 1972. Last year, they were \$300,000 higher.

A helping federal hand

Mr. Eudy, a stocky man with a crew cut and glasses, credits the National Flood Insurance Program with enabling him to survive.

A veteran of seven floods, he bought the maximum coverage possible under the subsidized insurance program when it first became avail-

able. After Agnes struck, he was presented with \$68,000.

"It kept me from going under," Mr. Eudy recalls. "I was able to get my creditors together—I owed \$75,000—and say, 'Look, you've got to give me a little time.'"

"Since then, they've all been paid. But the fact that I had that flood insurance was a big help in assuring my creditors that I could pull through."

"For a small businessman in a flood-prone area, this coverage is critical."

Until recently, flood insurance coverage was limited to \$60,000 for a building and \$10,000 for its contents. Under a bill approved by Congress in December, and signed by President Nixon, those ceilings can go as high as \$200,000 each for a business building and its contents.

Unlike most things today, the price of federal flood insurance coverage has declined.

Annual rates for nonresidential

A Program to Keep Businesses Afloat *continued*

buildings are 40 cents a \$100 for the structures.

Annual coverage for contents costs 75 cents per \$100. There is a deductible, applicable separately to both the structure and the contents, of \$200 or 2 per cent of the amount of the loss, whichever is greater.

These rates, subsidized by the federal government, are available only for the first \$100,000 on a commercial structure and \$100,000 on its contents. The additional \$100,000 insurance each that is available for the structure and its contents is based on actuarial rates, which are substantially higher.

Subsidized rates are available for buildings constructed before Dec. 31, 1974, or before publication of an initial flood insurance rate map for a community, whichever is later (the map lists rates that will take effect).

Flood insurance may be bought from any insurance agent or broker, if the local community makes itself eligible by complying with existing federal regulations.

This is not difficult. Application forms are available from the Federal Insurance Administration, Department of Housing and Urban Development, Washington, D.C. 20410.

Mr. Eudy has kind words for the Federal Insurance Administration and the men who administer the program.

"I'm behind these people 100 per cent," he says. "I contacted them the morning after the flood, and I received my first check three days later."

Mr. Eudy, a Korean War veteran, has invested most of his adult life in his community and his home. He began after the war by working in two service stations. Then he was asked to manage the American station he now owns. In July, 1954, he took a silent partner and bought it.

He attributes his success to diligence.

"I'm here all the time," he says. "I work hard and my family works hard. We turn the money back into the business to expand. I'm proud of what we have developed. I want to protect it."

Normally an even-tempered man, he gets riled when you ask him what causes the flooding in his area.

He blames government delay for failing to solve the problem.

"The old football gets kicked around in Congress," he says, "and one way or another we never get our flood area taken care of."

However, legislation which would provide a \$32.5 million program to control the flooding there is moving forward in Congress. If it is finally approved, Congress will pay most of the cost—\$29.9 million—with local authorities paying the rest.

Land use controls

George K. Bernstein, federal insurance administrator in the Department of Housing and Urban Development, says the total amount of federal flood insurance in force has reached nearly \$6 billion.

The program includes land use controls, and he says these, and the fact that it requires full actuarial rates for much construction, make it "an insurance program rather than a reckless and unjustifiable giveaway program that could impose an enormous burden on the vast majority of the nation's taxpayers without giving them anything in return."

He believes even stricter land use control is required to reduce flood losses.

The law that Congress approved in December is directed at this. It requires a community to participate in the insurance program if it is identified as a special flood area (that is, participation will be a condition for obtaining Federal Housing Administration or Veterans Administration

mortgage loans, or even Federal Deposit Insurance Corp. loans). And, the participating communities must adopt land use measures to avoid flood damage.

Many people ignore flood insurance for their homes or businesses until it is too late, Mr. Bernstein points out, then expect the government to come through and rescue them.

Large areas of Pennsylvania, New York, Maryland and Virginia were devastated by Agnes, he told a House subcommittee on housing, and there was "an unprecedented number of lesser occurrences" in the same year.

"In Pennsylvania alone," he said, "federal taxpayers provided nearly \$2 billion in disaster relief—much of which could have been covered by flood insurance of which communities and individuals had not availed themselves."

All of the nation's "flood-prone communities," he added, "whether they realize it or not, are urgently in need of the benefits of the National Flood Insurance Program."

As Richard Eudy can testify, so are many businessmen.

—ROBERT GATTY

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| Industrial Credit Financial Service | 9 | | | |
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| Budd Company | |
| Casey & Hayes | |
| Center City Cadillac | |
| Chemical Bank | |
| Chicagoan Magazine | |
| Cleveland Electric Illumination | |
| C & P Telephone | |
| Detroit Bank & Trust | |
| Equibank | |
| The Fidelity Bank | |
| The First National Bank of Boston | |
| The First National Bank of Chicago | |
| Halleen Leasing | |
| Hiram Walker Importers, Inc. | |
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business: a look ahead

BY GROVER HEIMAN
Associate Editor

New Ground Rules for Prospectors

While the energy crunch is forcing some bending of stiff environmental regulations, don't expect it to happen everywhere.

In some areas they may become tougher. One proposed regulation, for example, could have an impact on a storied bit of Americana—the grizzled old prospector.

Under 102-year-old mining legislation, the 140 million acres of national forest land, including wilderness, can be prospected.

The Agriculture Department's Forest Service oversees such development and exploration, but only has control over access roads to the sites. Now it wants to expand that control to the sites themselves and require mineral hunters to restore areas after they have finished their operations.

Presently, miners and prospectors may bulldoze an area to explore for near-surface mineral deposits and leave mine tailings which can pollute streams or lakes. The Forest Service has only the power of persuasion to induce them to clean up.

Under the proposed regulation, which could go into effect shortly, the Forest Service would require commercial miners and prospectors to advise how they intend to conduct their operations, submit a plan on how they will restore the area when finished, and post a minimum bond of \$2,000 to ensure the restoration.

If the operation will significantly affect the environment, an impact statement must be filed.

The weekend rock hound should, just to be on the safe side, check with the Forest Service for clearance. But the proposed ground rules are specifically aimed at prospectors who use bulldozers in searches for surface mining sites, and those doing core drilling operations.

Comments are being accepted until Feb. 15 by the Forest Service. The new procedure would not affect development of oil, gas and coal deposits, which are regulated under the Mineral Leasing Act of 1920.

A Push for Nationwide Trading in Mortgages

The kickoff for a yearlong test of a nationwide automated electronic quote system which would make it easier to trade in mortgages is slated for this spring.

Called AMMINET—Automated Mortgage Market Information Network—it was proposed and developed by the Federal Home Loan Mortgage Corp., which has spent about \$1 million to bring it to the test stage.

In the one-year pilot version, AMMINET will consist of a computer telecommunication system that will list offerings from all over the nation to buy and sell mortgages.

Each participant in the system will have a desk-top unit that will display market offerings on a television screen. Through his terminal, the AMMINET subscriber will be able to enter offers to buy or sell, and this information will be disseminated by a central computer.

Actual transactions will take place by telephone; this is not a trading system.

The Mortgage Bankers Association of America, a participant in the test, envisions that, in addition to its members, those taking part will be savings and loan associations, commercial banks, mutual savings banks and other institutional investors.

During the test phase, the system will only display residential listings, including Federal Housing Administration, Veterans Administration, conventional single-family and multifamily loans and Government National Mortgage Association securities. Being considered for the future are mortgages on commercial property.

A not-for-profit corporation will operate the system, which is expected to attract some 400 subscribers initially. Each will pay less than \$400 monthly for the service.

Post Office Package Brings a Lot of Work to Small Builders

New small post offices—those with less than 4,000 square feet—are likely to have a similar look in the future.

The U.S. Postal Service, now embarked on a \$3-billion construction program, plans to go to the building industry with a new "community post office" package concept that means a lot of business for structure manufacturers and local small contractors, who would do the erecting.

"Essentially we want to build our community post offices from off-the-shelf components—standard building components and subsystems made from manufactured processes—rather than on a custom basis at each site," says Senior Assistant Postmaster General Benjamin F. Bailar.

To do this, Postal Service officials have settled on a single building design, with four exteriors. The sizes can range from 1,000 to 6,500 square feet if necessary.

The architecture is "arresting," says Mr. Bailar, and "ease of assembly" should substantially shorten the time it takes to construct a community post office—now 18 months—to six months.

In June the Postal Service plans to start the bidding process for an estimated 500 units, with \$200 million earmarked for costs.

There are some 28,000 post offices of this size throughout the nation. Between 500 and 1,000 need to be replaced annually.

While the concept will be a boon to the manufacturers, it will also afford "outstanding opportunities" to small contractors, says the Postal Service.

Local contractors who bid on the projects will order the building components from a manufacturer's catalog. They will compete with one another in proposals on the other items—sites (some of which the Postal Service will lease), erection costs, etc.

Profit Regulator Takes in More Territory

Some banks, insurers, leasing companies, manufacturers' brokers and agents are finding they may be subject to scrutiny by The Renegotiation Board.

Established by a 1951 Act designed to eliminate excess profits resulting from defense contracts, this federal agency's scope has slowly widened. Now it checks profits on other specified government contracts too.

The profit picture of a contractor or subcontractor comes under the Act when its annual receipts on such contracts total \$1 million or more.

Since December, the Board has been notifying national and state commercial banks, insurance firms and other companies engaged in leasing equipment to the government, as well as manufacturers' agents

and brokers in this field, that they too must file the required reports. It says the manufacturers' agents and brokers qualify if their equipment-leasing commissions total at least \$25,000 in one year.

The provisions of the Renegotiation Act as amended apply to all prime and related subcontracts with the Departments of Defense, Army, Navy and Air Force, and the National Aeronautics and Space Administration, Atomic Energy Commission, General Services Administration, Maritime Administration, Federal Maritime Board and Federal Aviation Agency.

According to Board Chairman W.S. Whitehead, it appears that many commercial banks and others in leasing activities "are not aware of their obligations."

Insurance Firms May Benefit From Survey

In these days of image consciousness, the insurance industry finds itself slightly tarnished, according to a recent poll.

A national opinion study, conducted for Sentry Insurance by Louis Harris & Associates and the University of Pennsylvania's Wharton School, found the public generally believes that companies offering homeowner and auto insurance provide an important public service and are "fairly progressive." However, the study also showed:

- 78 per cent of the public believe most companies will refuse to insure you if you are too high a risk.
- 50 per cent feel auto insurers are too quick to drop you after one accident.
- 74 per cent believe that if you don't look at the fine print when you buy insurance,

you're likely to find you are not covered in an emergency.

- 48 per cent feel insurance companies try to pay as little as possible in benefits and will try to bargain with policyholders.

Sentry's Board Chairman John W. Joanis thinks the study, said to be the first of its type on the insurance industry, sends out strong early warning signals for insurers.

"Treated properly," he says, "the findings offer both a challenge and an opportunity."

Sentry is considering a "bill of rights" for policyholders in which it would pledge such things as prompt settlement of claims, automatic annual reviews, the right not to be canceled arbitrarily, open channels for complaints and more understandable insurance terminology.

editorial

Ouch!

In all the years between the founding of our republic and the middle of World War II, federal government spending totaled about \$300 billion.

The budget for the next fiscal year proposes \$300 billion for that single year.

Does that make sense to you?

If it doesn't, let your Senators and Congressman know you want spending brought under control.

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